EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,645

Monday December 30 1991

D 8523A

**ALGERIA**
**Liberals fear rise of fundamentalists**
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World News

## Croats claim missiles used in attacks on Zagreb

Unconfirmed Croatian reports claimed the Yugoslav army had used surface-to-surface missiles in attacks on the suburbs of Zagreb. It would be the first use of such weapons in the six-month Yugoslav conflict. Karlovac, in Croatia, was under Yugoslav army attack for the seventh day. Page 2; Many shades of grey, page 10

**ANC may give guarantee**
African National Congress leader Nelson Mandela will consider guaranteeing white seats in parliament for a limited period to allay white fears about black majority rule in South Africa, a Johannesburg newspaper reported. Page 3

**Moi suffers blow**
Kenyan president Daniel arap Moi's election prospects suffered a further blow as two more ministers resigned. Five have now quit since the ban on opposition to the ruling Kanu party was lifted earlier this month. Page 3

**Salvador talks boost**
President Alfredo Cristiani of El Salvador met UN secretary-general Javier Pérez de Cuéllar in what was seen as a boost for talks aimed at ending his country's 12-year civil war. Page 2

**Beijing to join treaty**
China's parliament agreed the country should join the Nuclear Non-Proliferation Treaty, the New China news agency said. Beijing will be the last big nuclear power to become a signatory.

**Swiss accuse Iran**
A diplomatic row between Switzerland and Iran deepened after Switzerland said airport guards had confiscated the passport of one of its Tehran embassy staff and kept her off a flight home.

**White House protest**
Thirteen demonstrators protesting against US foreign policy were arrested at the White House after incidents in which some scaled the fence and others threw blood at a gate.

**Ulster violence grows**
Northern Ireland had its bloodiest year for 15 years in 1991. Republican and Protestant gunmen killed 75 civilians in a bitter sectarian "tit-for-tat" war, police said.

**Eight die in crush**
At least eight people were killed and 28 injured when spectators fighting to get into a celebrity basketball game in Harlem, New York, on Saturday were crushed.

**Lead production to halt**
Bulgaria will suspend production at its biggest lead plant at Plovdiv for several months because of severe pollution of the country's best farmland.

**Prisoners repatriated**
Twelve Spaniards convicted of drugs offences in Thailand arrived in Spain to complete their jail terms there under a new repatriation agreement.

**Gang-rape ruling**
A Pakistani judge cleared President Ghulam Ishaq Khan's son-in-law of blame in the alleged gang-rape of a friend of opposition leader Benazir Bhutto, but he accused official investigators of negligence. Page 3

**Greece rejects protest**
Greece strongly rejected charges by Albania that it was violating human rights by expelling thousands of Albanian refugees.

**King Juan Carlos hurt**
King Juan Carlos of Spain cut short his annual skiing holiday and returned to Madrid for a medical examination after injuring his knee on the slopes of the Pyrenees.

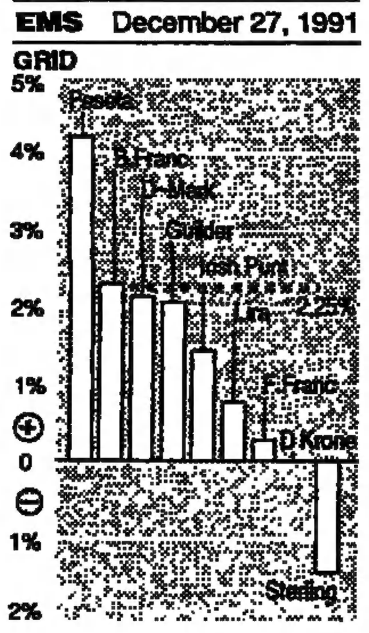
Business Summary

## US expected to clear sale of BAe jets to Iran

The US State Department is expected soon to lift its veto on the sale of British Aerospace 146 regional jets to Iran. This will clear the way for talks between BAe and Iranian civil aviation agencies on possible orders by a number of Iranian carriers for the 70- to 120-seater aircraft. Page 12

EUROPEAN Monetary System: Sterling continued to languish at the bottom of the exchange rate mechanism grid last week, with Britain the only country not to have raised interest rates in answer to Germany's bigger-than-expected rise earlier this month. Although the pound hovered around its effective ERM floor against the D-Mark in the shorter trading week, the Bank of England did not intervene. The peseta remained at the top of the grid. Currencies, Page 23

**EMS** December 27, 1991




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.*

ROSEHAUGH Stanhope Developments raised $180m in the US securities market to refinance work on the City of London Broadgate Development. It is the first time a non-US company has refinanced an individual property by issuing rated commercial paper in the US. Page 13

MAXWELL Communication Corporation: Administrators to MCC meet bankers today in an attempt to negotiate further loans to help sustain the group's companies. Page 13

US has announced plans for punitive duties on imports of Canadian beer in retaliation for discrimination by Canadian provincial liquor boards against US beer. Page 2

ITALY'S 1992 budget was approved after nearly three months of political bargaining, thus avoiding a temporary budgetary regime which would automatically have come into force on January 1. Page 2

NISSAN MOTOR, Japan's second-largest carmaker, which has been involved in a bitter dispute with its British distributor, this week starts a 150-strong nationwide dealer network in a fresh assault on the UK new car market. Page 4

INSURANCE: Enthusiasm among the world's insurance companies to expand operations internationally is waning thanks to heavy losses and a range of other difficulties, according to a recent report. Page 2

LEBANON: Prospects for Lebanon's economy look increasingly bright as the country completes its first peaceful year in 17. Page 3

Russia, Ukraine and Belorussia unlikely to agree about financial structures

# Minsk economic summit threatens to split republics

By John Lloyd in Moscow

LEADERS of the new Commonwealth of Independent States face sharp disagreements when they meet in the Belorussian capital of Minsk today to try to forge their organisation into a coherent body.

The meeting – likely to focus on economic and banking reform – comes as President Boris Yeltsin warned Russians of hard times accompanying market reforms and price rises.

Mr Yeltsin yesterday also tried to allay other former Soviet republics' suspicions of Russian domination by saying the new Commonwealth would not be bound together by chains.

In spite of his latest gesture, Mr Yeltsin and the leaders of Ukraine and Belorussia are unlikely to be able to agree in Minsk about economic and financial structures to protect them from disastrous disruptions to trade and production.

Only three weeks after they initiated the commonwealth, they have already adopted economic measures that will harm, rather than support, each other's economies.

One of the crucial decisions to be made at Minsk by these three republics and the eight others that have since joined the commonwealth is the formation of a banking union to replace the now abolished USSR State Bank (Gosbank).

There is deep division between Russia, which now controls the former Soviet Union's central financial structures, and Ukraine on the form of such a banking union.

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■ Washington warns on N-missiles
Page 10
■ Russia's benighted economy

Russia is pushing for a "weighted" vote on the banking union board to reflect its dominant economy. Ukraine, with other states supporting it, wants a "one republic one vote" system.

The issue is critical because Russia's control of credit and the printing of money means it can starve other republics of funds. These funds will be needed not only for enterprises but also to back up higher prices and wages once Russia and some other republics liberalise prices on Thursday.

To get round this problem, Ukraine and Belorussia are printing coupons as a partial substitute for roubles in their citizens' pay packets. Ukraine decided last week to introduce coupons for 40 to 50 per cent of salary in January, rising to 100 per cent soon.

It is not clear whether Ukraine will liberalise its prices in line with Russia's from Thursday, seek to postpone the measure at today's meeting, or try to defy it if postponement is denied.

These moves destroy the tentative agreement by republics to keep the rouble as the common medium of exchange between member states.

The problem is heightened for the Ukraine by the International Monetary Fund view that it will be impossible for Ukraine to introduce its own currency next year as planned. The IMF has advised Ukraine that such a move would take between two and three years.

But if nationalism prevails today, the chances will be slim of avoiding a widespread severing of the links binding the former Soviet enterprises, and a collapse of mutual trade.

Mr Victor Gerashchenko, the former Gosbank chairman, who is now handing over his responsibility to the Russian State Bank, yesterday painted a bleak picture of financial collapse if no effective union is created.

Military commanders of commonwealth states have signed an agreement on defence policy and a provisional agreement on a co-ordinating Commonwealth Defence Council.

Ukraine, Azerbaijan and Moldova, however, are still going ahead with forming their own military forces. Turkmenia also plans to bring Soviet units stationed in the republic under its control.

President Zviad Gamsakhurdia flanked by a guard in the parliament building yesterday

# Fighting flares again to end Tbilisi ceasefire

By Neil Buckley in Moscow

RENEWED violence flared yesterday in Tbilisi, the Georgian capital, as President Zviad Gamsakhurdia refused demands for his resignation from opposition forces and some of his former supporters.

The fighting broke a ceasefire between rebel forces and those loyal to the president of the former Soviet republic that had been partially observed since Saturday evening. Moscow radio said armed opposition units had occupied part of the parliament and government complex where President Gamsakhurdia and his supporters were sheltering. Mr Gamsakhurdia's grip on power appeared to be slipping as some previously loyal political figures and troops joined the opposition in calling for his resignation.

Their joint statement, issued after a Saturday night meeting, said Mr Gamsakhurdia should hand over his powers to Mr Akaki Asatiani, president of Georgia's parliament, in return for safe passage out of the republic.

"The armed opposition considers it its duty to declare that President Gamsakhurdia, who has been unable to preserve national agreement, peace and defence of human rights in Georgia, must submit his resignation," the statement said. Signatories to the statement included Mr Besik Kutateladze, the deputy defence minister and a former supporter of Mr Gamsakhurdia.

Mr Kutateladze said the 400 men under his command would not take part in any civil war. "I support the resignation of Gamsakhurdia," he told reporters. "He has no moral right to be president. But I do not think he will resign...It is quite possible there will be a prolonged war."

Before the communique was issued, Mr Gamsakhurdia was reported to have said he would be prepared to compromise on some issues – including the holding of new parliamentary elections – but he would not give up the presidency.

Reports from the Georgian capital remained hazy and sometimes contradictory yesterday as most telephone lines have been cut. The Georgian mission in Moscow said it had received no news from Tbilisi since Friday.

A report from the Georgian Iprinda news agency said that a television announcement by rebel forces in the early hours of yesterday that all Mr Gamsakhurdia's powers had been transferred to the parliament appeared to be unfounded.

Rebel national guards have been bombarding the parliament for more than a week in an attempt to oust Mr Gamsakhurdia, whom they accuse of being a dictator. Health ministry officials in Tbilisi said on Saturday that at least 51 people had been killed, with 283 wounded. The Interfax agency put the death toll at 70.

The fighting and subsequent fires have seriously damaged the parliament and several other buildings on the capital's main street, Rustaveli Avenue.

# Fresh evidence of deep UK recession faces Lamont

By Peter Norman, Economics Correspondent, in London

FRESH evidence of the savagery and depth of Britain's recession will confront Mr Norman Lamont, the chancellor of the exchequer, when he returns to work from his Christmas break today.

Treasury officials now admit there is virtually no chance of the economy matching the government's forecast of 0.6 per cent growth in the second half of 1991, compared with the first six months of the year.

Mr Lamont must also be prepared for possible disturbances on the foreign exchange markets, where the pound has been vulnerable to speculative selling since the Bundesbank's decision before Christmas to raise its key interest rates to levels last seen in the 1930s.

At the end of last week, there was some hope on the UK money market that the government might be able to avoid a damaging rise in bank base rates from their current 10.5 per cent level. But with the key three-month interbank rate just below 11 per cent on Friday, there was no prospect of the Treasury being able to engineer a cut in base rates to revive the UK's economy.

**German finance and industry is approaching the new year in a mood of gathering gloom, fuelled by the prospects of sharply slower economic growth, higher inflation and interest rates, and a bitter round of wage bargaining with the trade unions.**

**Forecasts for the coming year are overwhelmingly cautious or openly pessimistic, in spite of signs that the eastern German economy has hit bottom and begun to recover.** Page 2

The economy's weakness is highlighted by today's report by Dun & Bradstreet, the business information group, which said the rate of business failures in Britain is now running at nearly 1,000 a week.

Bankruptcies and liquidations have risen 65 per cent to 47,777 this year from 28,935 in 1990, marking a record level for company collapses in Britain since Dun & Bradstreet started collecting the data in 1980.

In another survey today, the UK Institute of Directors says confidence about the country's economic prospects has fallen sharply among company directors.

This followed a barrage of gloomy reports at the weekend:

- Manpower, the UK employment services company, forecast a significant worsening in job prospects in the coming quarter.
- An opinion poll in yesterday's London Sunday Times disclosed a sharp reversal in optimism over economic prospects among voters.
- Hopes that the start of the

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**THE MONDAY INTERVIEW**

Carlos Saúl Menem is fizzing with energy and enthusiasm these days, and no wonder. For Argentina, the country of which he has been president for the last two and a half years, has proved the world's most unexpected economic success story of 1991.
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FORTHCOMING FT SURVEYS


Top companies by market capitalisation and turnover

■ JANUARY 8:
Kenya : Tough economic and political challenges ahead.
■ JANUARY 13:
FT Top 500 : The leading European and UK companies.
■ JANUARY 21:
Egypt : Reaping the benefits of a pro-Western stance.
■ JANUARY 22:
FT Traveller Hong Kong : The complete guide to one of the world's most fascinating cities.
■ JANUARY 23:
Cheshire : Seeking to encourage a wider spread of wealth.
■ JANUARY 24:
Personal Finance Quarterly Review : A pre-election look at 1992 prospects for investors.

Pessimism and caution mark economic forecasts

# German industry greets new year in grim mood

By Quentin Peel in Bonn

*GERMAN finance* and industry is approaching the new year in a mood of gathering gloom, fuelled by the prospects of sharply slower economic growth, *higher inflation and* interest rates, and a bitter round of wage bargaining with trade unions.

Forecasts for the coming year are overwhelmingly cautious or openly pessimistic, in spite of signs that the east German economy has hit bottom and begun to recover.

*Hopes* for export-led *growth* to counter the sudden slowdown in domestic demand – artificially stimulated for the past two years by the German *unification process* – are being treated with scepticism.

Interviews with leading businessmen and industrialists published yesterday in Welt am Sonntag, the conservative Sunday newspaper, showed a common concern at the danger of recession overtaking the German economy, and an underlying fear that the country has lost its appeal to foreign investors.

Mr Karlheinz Kaske, chief executive of Siemens, the electronics group, said that in spite of strong production growth in 1991 due to demand from east Germany, "the economic outlook for the electronics industry *in 1992 must be* cautiously assessed as long as the expected international economic recovery remains hesitant.

"The danger exists that *domestic demand* will begin to crumble away before there is any stimulation in exports," he added. "Much depends on the coming wage round."

*The generally gloomy* prognoses follow a survey of industrial confidence by the research arm of the German federation of industry, which *concluded* that the mood in business is at its worst for many years. Thirty of 39 sectors reported declining confidence, with eight reporting no change and only one – wholesale trade – continuing to take a relatively optimistic view of the coming year, according to the Institute for the German Economy.

*Mr Wolfgang Röller, chief* executive of Dresdner Bank, published a commentary on Sunday – entitled: Is a recession still avoidable? – in which he sharply criticises the Bundesbank's decision to raise interest rates by a half point before Christmas.

"In Germany, a change in mood for the worse is to be feared," he said. "In the third quarter of 1991 a period of economic weakness has begun which is still being underestimated." In spite of this, the central bank had raised its discount rate for the eighth time, and the Lombard rate for the ninth time since 1988. "This behaviour cannot easily be explained."

In his forecast, Mr Helmut Schlesinger, president of the Bundesbank, made it clear the reason was an overriding fear of excessive wage demands and accelerating inflation, outweighing even his fears of recession. He described the slowdown in the economy as "normalisation," insisting it would be for the long-term good. "Germany is only growing together faintheartedly," *he said.* "This process will be speeded up rather through [policies of] stability, than through wild spending."

# Insurance expansion waning

By Richard Lapper

ENTHUSIASM among the world's insurance companies to expand internationally is waning after heavy losses and other difficulties, a report by Price Waterhouse, the accountancy and management consultancy group, suggests.

The report was prepared on behalf of the Insurance, Accounting & Systems Association, a US-based organisation of insurance professionals. One of its authors, Mr Stephen Coombes, says "globalisation" *may have gone into "reverse"*.

Mr Coombes suggests insurers have been persuaded to invest overseas for various reasons, including the need to *follow industrial clients'* expansion abroad, and the limited opportunities of domestic markets. This latter is one reason why Swiss and Dutch companies have led much overseas expansion. But a strong impetus has been the EC's market liberalisation programme.

In the late 1980s many European insurers, especially in the commercial lines business, set up operations in other European markets and, with the 1992 deadline nearing invested heavily while opportunities were seen to be open.

A number of French and other European companies developed a strategic approach based on attaining "critical *mass": the idea that only* those companies with significant shares of all key markets would be able to exercise the economies of scale necessary to compete internationally, with ultimately, room for only a dozen élite global insurers.

Reviewing the evidence to date, Price Waterhouse finds this theory wanting. Losses suffered in overseas expansion by a number of companies, from Allianz of Germany to General Accident of the UK, have made companies chary.

*The price of expanding* overseas has been seen as prohibitive, especially for US and UK companies under pressure to generate short-term profitability. Some companies have found profitable niches in their own home markets and see no reason to expand. Others have found obtaining trained overseas personnel a bigger problem than expected.

Japanese and US insurers have been affected only marginally by the 1992 process. "Vague threats about Europe becoming a closed market after 1992 seem unlikely to be realised," the report says.

# Italian parties clinch budget deal

By Robert Graham in Rome

ITALY'S 1992 budget was *finally approved over the week*end after nearly three months of hard political bargaining, thus avoiding a temporary budgetary regime which would automatically have come into force on January 1.

It is only the ninth time in 43 years that the budget has been approved within the statutory period and it needed a special senate session, called despite the Christmas recess. To achieve agreement, the four-party Christian Democrat-led coalition government had to *omit controversial legislation* speeding privatisation.

This legislation, to be debated early in the new year, is essential for the 1992 budget *calculations. Income from pri*vatisation is projected to account for a quarter of the complex package of new receipts and spending cuts intended to hold the public sector deficit down to L128,000bn ($107bn), equivalent to 10.5 per cent of GDP.

The political parties, aware that elections could come as early as the spring, have been split over plans to allow state companies to hive off their assets and whether or not to permit majority stakes to be held in private hands. President Francesco Cossiga over the weekend threatened to invoke his authority to refuse to endorse the budget unless *the full* privatisation *plans* were approved.

Even without the threat of his veto, serious doubts remain over the government's capacity to *introduce privatisation* rapidly. The 1991 budget envisaged receipts of L6,000bn from privatisation; but so far, less than half has materialised, largely due to slow progress in selling off two state banks.

Agreement on the budget *was stimulated* by awareness that Italy had to begin to tackle its public finances in the wake of the Maastricht summit if it was to meet the essential targets for economic convergence within the European Monetary System. This was the first Italian budget directly monitored by Brussels and received the EC Commission's grudging approval.

Even so, it represents *only a* modest attempt to contain Italy's growing public sector deficit, most of which is *accounted for by service of the* country's enormous debt, now over 103 per cent of GDP. The measures also fail to take account of last week's increase *in the official discount* rate from 11.5 per cent to 12 per cent in line with the rise in German interest rates. The increase is expected to add a further L6,500bn to treasury needs in 1992.

On the fiscal side, the main feature of the 1992 budget is a large tax amnesty, whereby unpaid taxes dating back to 1986 need only be paid at 15-20 per cent of the original demand. This controversial pardon, the second large one in under 10 years, has been compensated for by a loosening of the previously protective laws on bank secrecy. Meanwhile, income taxes will be raised 1 per cent for all those earning *over L14m a year.*

The government's 1992 tax calculations are based on an economy growing at 2.3 per cent when all the indicators *suggest Italy is still experienc*ing a recession. Equally, with inflation still running at above 6 per cent a year, the aim of lowering inflationary levels below 5 per cent remains questionable.

# Parretti faces tax charges

MR Giancarlo Parretti, the Italian financier who graduated from hotel waiter to win brief control of MGM, the Hollywood film studio, is due to appear in a Sicilian court today facing a string of charges of alleged tax fraud and illegal money transfers, writes Robert Graham.

Mr Parretti was arrested on Friday at Rome's Fiumicino airport where he was about to board a privately chartered jet bound for Tunis. He has been held in custody near Syracuse in Sicily.

According to the Guardia di Finanza, Italy's financial police, 13 companies controlled by Mr Parretti in Italy are under investigation for alleged unpaid taxes of L190.5bn ($159.8m), for valued added tax evasion of L50.1bn and illegal transfers abroad of L29.3bn over the past five years.

This is the fourth time Mr Parretti has been held in an Italian jail.

The first dates back to 1981 when he was detained for 26 days over matters relating to the books of a *local Sicilian* football club which he was running.

# France and Iran end contracts row

By Ian Davidson in Paris

THE long-running billion-dollar financial dispute between France and Iran over nuclear power development contracts has formally ended, with an agreement due to be signed by senior officials in Tehran yesterday.

But the settlement has failed to bring about the complete political reconciliation for which the two countries had been hoping, largely because it has been overshadowed by the murder in France last summer of Mr Shahpour Bakhtiar, former Iranian prime minister, allegedly at the hands of Iranian assassins.

After the financial settlement – terms of which are confidential – the warming of political relations was due to have been symbolised by an official visit to Iran by France's President François Mitterrand.

But since October, when a French investigating magistrate issued an international warrant for the arrest of an Iranian official for complicity in the murder of Mr Bakhtiar, prospects for the visit have receded.

The Bakhtiar case has acquired added urgency, as the French authorities have demanded the extradition from Switzerland of an Iranian arrested in Berne last Monday on suspicion of complicity in the murder.

The financial dispute arose from the loan of $1bn by Iran in 1974 for atomic energy development by the French Atomic Energy Commission (CEA) and Eurodif, the uranium enrichment company. The loan was designed for advance financing of nuclear power plant contracts in Iran, contracts which were broken by the new revolutionary regime after the overthrow of the Shah in 1979.

In the settlement France is reliably reported to have agreed to repay $1bn in capital and interest.

The French nuclear power construction companies Framatome, Alsthom and Spie-Batignolles are reported to *have* agreed a parallel settlement to their counter-claims against the Iranian state for broken contracts. The size of this settlement, too, remains confidential.

An Iranian demand to be permitted to buy enriched nuclear fuel from Eurodif remains a contentious issue, unresolved by yesterday's settlement.

Iran's government bases its demand on the fact that it has a 10 per cent shareholding in Eurodif. But the French government has blocked the demand, on the grounds that this would infringe the nuclear Non-Proliferation Treaty (NPT), with the clear implication that Iran's only use for enriched nuclear fuel would be the manufacture of nuclear weapons.

**THE diplomatic row between Switzerland and Iran deepened yesterday after airport *guards confiscated the* passport of one of the Swiss embassy's staff in Tehran and prevented her from boarding a flight home. Reuter reports from Berne.**

**A Foreign Ministry spokesman said Ms Christa Felder, a secretary, had had her diplomatic passport taken away at Tehran airport in what was seen as revenge for the arrest of an Iranian national outside Iran's embassy in Berne last week.**

**The passport was returned within hours after a protest, but Switzerland's charge d'affaires in Tehran has closed the embassy until further notice.**

US Congressman Jim Moody examines a captured Croatian mortar during a tour of a Serbian training camp

UN envoy continues diplomatic efforts to halt fighting

# Missiles 'fired against Croatian capital'

By Our Foreign Staff

*THE Croatian town of* Karlovac came under Yugoslav army attack yesterday for the seventh consecutive day, coinciding with unconfirmed *Croatian reports that the* Yugoslav army had used surface-to-surface missiles in attacks on the suburbs of Zagreb at the weekend.

It would be the first use of such weapons in the six-month Yugoslav conflict.

Diplomatic attempts to stop the fighting continued as Mr Cyrus Vance, the UN envoy, arrived in Lisbon for talks today with *Mr João de Deus* Pinheiro, the Portuguese foreign minister, and Lord Carrington, chairman of the European Community's Hague peace conference on Yugoslavia.

On January 1 Portugal takes over the European Community's revolving six-month presidency and with it responsibility for co-ordinating EC policy towards Yugoslavia.

The Croatian High Command said six missiles had hit Turopolje, an area *about 20km south of the* capital, but declined to give details of casualties or damage, saying only that the rockets had been aimed at "interesting targets". Several Croatian army units are known to be in Turopolje.

The Belgrade-based Tanjug news agency briefly noted detonations had been heard in Zagreb, but said there was no official confirmation they were caused by missiles.

A duty officer at the Karlovac crisis centre told Reuters that yesterday's *artillery attack on the town* was launched from three federal army barracks about 5km south of the town, which commands routes to the south-west. "We had negotiations with the army to evacuate these barracks but they don't want to leave," he said.

Croatian military sources said defensive lines in the region of Nova Gradiska, further to the south-east, were also under artillery fire.

Letter from Croatia, Page 10

# US retaliates against Canada in beer dispute

THE US has announced plans for punitive duties on imports of Canadian beer in retaliation at discrimination by Canadian provincial liquor boards against US beer, writes George Graham.

The decision threatens to turn the dispute into open trade warfare which could savage US sales of popular Canadian brands such as Molson and Moosehead.

Mr Julius Katz, the US Deputy Trade Representative, said *his office had decided to* impose substantially increased duties on Canadian beer no later than April 10, because Canada had failed to remedy the discrimination against foreign beers by provincial liquor boards.

The decision follows suits by Stroh Brewery and G. Heileman Brewing, which complained about the ban on selling imported beer in privately-owned beer and wine stores in Canada and about distribution fees charged by provincial liquor stores.

A panel of the General *Agreement on Tariffs* and Trade (Gatt) ruled earlier this year that the Canadian practices were contrary to Gatt regulations.

Canada, however, has its own complaints against US beer.

The Canadian government found this year that Stroh and Heileman, as well as Pabst Brewing, were dumping their beer in Canada.

Gatt has also agreed to investigate a Canadian complaint that US federal and state rules discriminate against imported beer, wine and cider *through taxes, labelling* requirements and distribution rules.

Mr Katz said the US would continue to consult with the Canadian government in an effort to obtain an agreement to eliminate the *unfair* trade practices so that the implementation of the retaliatory duties would not be needed.

The US Trade Representative's office will calculate the level of duty in line with its estimate of the damage caused to US brewers by the Canadian discrimination.

Canada is the second largest exporter of beer to the US, after the Netherlands, with sales of around $150m a year.

# US warns ex-Soviet states about N-weapons

By George Graham in Washington

MR RICHARD CHENEY, the US defence secretary, has warned states of the former Soviet Union they must stop the production and deployment of new nuclear missiles if they are to win US confidence.

"We still see – even at this late date, even with their economy in a state of utter collapse, *with the political structure* having been totally changed dramatically just in the last few weeks – we still see on-going efforts inside the former *Soviet Union* to produce more nuclear weapons, to deploy new ballistic missiles targeted against the US," he said in an interview with Cable News Network.

Mr Cheney said, however, he was "reasonably confident" the nuclear arsenal remained under central control.

His warning comes as the administration puts the finishing touches to its 1992-93 budget proposals, and as pressure mounts from both Democrats and some Republicans for money to be shifted from defence to domestic spending.

Overall discretionary defence spending is capped at $295bn next year under budget rules worked *out in 1990, but* administration officials have floated the possibility of cutting a further $50bn over the next five years.

Quentin Peel adds from Bonn: The German government has expressed its concern about the prospects for control of both short-range nuclear and chemical weapons in the former Soviet republics.

Both Mr Gerhard Stoltenberg, defence minister, and Mr Hans-Dietrich Genscher, foreign minister, voiced their fears in weekend interviews, focused above all on tactical nuclear weapons and on the export of nuclear weapons *technology.*

*In a radio interview*, Mr Genscher said the west should immediately propose the destruction of all nuclear artillery and short-range nuclear missiles... "which are the most difficult to control".

Earlier, he called for the rapid inclusion of all the ex-Soviet republics within the Conference on Security and Co-operation in Europe structures, in order to ensure the building of a "common security space" in Europe.

Mr Stoltenberg said in an interview with a Sunday newspaper that today's negotiations between the republican leaders in Minsk had to provide urgent clarification above all on control of tactical nuclear arms.

He also expressed concern about Soviet nuclear expertise being put at the disposal of would-be nuclear powers outside the present nuclear club.

# UN talks lift El Salvador peace hopes

PRESIDENT Alfredo Cristiani of El Salvador yesterday met Mr Javier Pérez de Cuéllar, UN secretary-general, to discuss UN-mediated talks aimed at ending his country's 12-year civil war, AP reports from New York.

Mr Cristiani's presence raised hopes the talks could conclude quickly, with a permanent ceasefire agreed.

The president arrived in New York at the request of Mr Pérez de Cuéllar and rebels of the Farabundo Martí National Liberation Front (*FMLN*). Before leaving for New York Mr Cristiani said the UN chief had told him he had received "certain confidential promises from the FMLN that... can give a final push to the [peace] process".

The FMLN has charged that El Salvador's right-wing government is taking advantage of the rebels' unilateral ceasefire and has not been negotiating seriously.

# Algerian liberals fear fundamentalists' advance

Chadli: has mandate to *the end of 1993*

**Francis Ghilès** on a free election that raises many uncertainties

SOME Algerians' anxiety at the victory of the *Islamic Salvation Front* (FIS) in the first round of Algeria's first free federal elections was captured in a banner headline on a popular satirical monthly: "The last issue *of El Manchar* before the end".

The Front de Libération National (FLN), which has ruled Algeria since 1962, was routed in the first round of voting on Thursday. Provisional results gave the FIS 167 of the first 206 seats won outright in the 430-seat parliament. Any FLN hopes of containing the FIS were destroyed in recent months by an unseemly trading of insults between Mr Sid Ahmed Ghozali, the prime minister, and Mr *Mouloud Hamar*ouche, his predecessor.

For those most anxious at the FIS victory, three factors may temper their fears. Only *3.5m Algerians out of 13m eligi*ble to vote cast their ballots for FIS candidates, 1.2m fewer than in the June 1990 municipal elections, which saw the *fundamentalists triumph* in the first multi-party elections held in Algeria. Moreover, 900,000 people were unable to vote as their electoral cards failed to *reach them or their names did* not appear on the register.

Finally, the election of at least 50 FIS deputies last Thursday has been referred to *the Constitutional Council for* alleged fraud. Such accusations have come from the leader of the main lay opposition party, Mr Hocine Aït Ahmed, whose *Front des Forces Socialistes* (FFS) picked up 26 seats in the first round.

While such factors might affect the final outcome after the second round of voting on January 16, there is no denying that Thursday's vote confirms the FIS as the most powerful force in Algeria – which has *made publishers such as Abderrahmane Bouchene*, newspapers such as *El Watan*, and Algiers' *Chaine 3* Radio, institutions which owe their existence *to the freedom which the* riots of 1988 brought in their wake, feel deeply threatened.

But it remains unclear how FIS leaders will choose to use their *new-found power.*

They have made a series of statements since the vote which amount to something of an Islamic charter. Peoples' tri*bunals will be set up to judge* "traitors"; the lay press will be banned; Algerians will have to change their way of dressing; alcohol will be banned; and *men who flirt with women* punished. Only women who are orphaned, divorced or widowed will be allowed to work.

Such statements carry considerable weight in a country where individuals have little autonomy when faced with the pressures of family ties, neighbours and tradition. They also *confirm the pessimism of some* Algerians, especially in the educated middle classes, who may be tempted to leave the country, as at least 100,000 *have over the past decade.*

If the FIS pursues such policies to the letter, it is likely to meet strong resistance. *Mr Chadli Benjedid*, Algeria's president, for instance, retains considerable power, has a mandate until the end of 1993 and is unlikely to *accede to any FIS demands for* early presidential elections.

An FIS government, assuming it wins a majority of seats after the second round, could insist on appointing one of its men to the interior ministry. The president, however, would still appoint the ministers of defence and foreign affairs, and governor of the central bank.

But in a show of moderation, meanwhile, the FIS called last night for reconciliation with its opponents and said it would respect Algeria's international commitments. An FIS leader called on all Algerians to join in tackling the country's problems and played down any prospect of conflict with the army.

The army has since 1988 played honest broker to the democratic process. The defence minister, Gen Khaled Nezzar, has repeatedly made clear it will tolerate neither disorder in the streets nor see the constitution torn up. While a pre-emptive military coup is unlikely, the army may not remain passive in the face of any FIS provocation.

*A FIS* government would also have to weigh the reaction of neighbouring Tunisia and Morocco, whose leaders are unsettled at possible consequences of last week's vote. These factors augur for considerable uncertainty in the weeks and maybe months ahead, raising as many questions as answers.

For some, the questions are already unsettling. As the editor of the daily *Le Matin* wrote yesterday, it would be an irony if Algerians were to be "deprived of the freedoms they had gained in October 1988 before they had even had time to taste them".

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by *E. Hugo, Frankfurt/Main*, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

*Financial Times (Scandinavia)* Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

# Shamir to step up building on occupied lands

By Hugh Carnegy in Jerusalem

MOST NEW Israeli government house building planned for next year is to be shifted to Jewish settlements in the occupied West Bank and Gaza Strip. This, says a senior government official, has been agreed to buy off threats to the 1992 budget by extreme right-wing coalition parties.

The decision flies in the face of repeated demands by the US, the Palestinians and Arab states that Israel halt settlement activity which they say is an obstacle to current Middle East peace talks. It is also likely to complicate further Israel's request for $10bn in US loan guarantees to help finance mass Jewish immigration from the former Soviet Union.

Two right-wing factions, Tehiyah and Moledet, won agreement last week from Mr Yitzhak Moda'i, the finance minister, to spend more than originally budgeted on settlements, including a promise to build an extra 5,000 houses. The official told local reporters yesterday that in order to avoid incurring extra expenditure, the 5,000 would be taken out of the total planned new housing starts for the whole country of 7,500.

An additional 12,500 housing starts will take place in 1992, mostly in Israel proper, but these are overruns from 1991.

The deal with Tehiyah and Moledet was part of a dizzying array of budget demands, ranging from a proposal to drop the price of state-subsidised mortgages to calls for greater provision for the building of religious ritual baths, made by right-wing and religious coalition factions ahead of Tuesday night's deadline for getting the 1992 budget through the Knesset.

Mr Yitzhak Shamir, the prime minister, wasted little time fighting the right-wing parties, with whom politically he largely agrees. But frustration over other demands, particularly from ultra-orthodox religious parties, led to suggestions from his aides that he would prefer to risk defeat on the budget – and the fall of his government – than give in.

Mr Shamir lost one coalition faction yesterday when the two-MP Tsomet party resigned from the government over his opposition to electoral reform. With his Likud party looking strong in the opinion polls, the opposition Labour party slipping badly, unemployment set to rise and pressure for concessions in Middle East peace talks looming, Mr Shamir would not be unhappy to face an early general election.

# Mandela hints at 'Rhodesia option'

By Our Foreign Staff

MR NELSON MANDELA, president of the African National Congress, will consider guaranteeing white seats in parliament for a limited period to allay white fears about black majority rule in South Africa, a Johannesburg newspaper reported yesterday.

He told the Sunday Star he would never compromise on majority rule. But he added: "The only compromise one could think of is something like what happened in Zimbabwe, where we are able to say we guarantee that so many seats will be held by whites."

Although the ANC leader has said he favours a coalition government for the first years of post-apartheid South Africa, this is the first time he has raised a parallel with the Zimbabwe (formerly Rhodesia) independence constitution, drawn up at the 1979 Lancaster House talks chaired by Britain.

That constitution envisaged a post-independence transition which guaranteed a bloc of 20 white seats in a 100-member parliament. This allowed the country's minority racial group effectively to veto certain constitutional changes for between seven and 10 years. When this period ended last year, the white bloc was abolished.

Elaborating on his reply, Mr Mandela said: "I wouldn't necessarily be against that as an individual. Whether the organisation [ANC] would accept it I don't know, but that is the type of compromise one could think of to allay the fears of minorities."

He added: "The correct strategy might well be not to write it into the constitution but to have a separate agreement. But that agreement would have to be in writing for a limited period of time."

President F W de Klerk, however, has already ruled out "the Rhodesia option", arguing that there is no comparison with South Africa, and stressing that any constitutional settlement must be based on a permanent and significant political role for the governing National Party.

The ANC leader reiterated his misgivings about a proposal by President de Klerk that a new constitution be drafted by a multiracial parliament, including blacks for the first time.

# Two more ministers resign in Kenya

PRESIDENT Daniel arap Moi's election prospects suffered a further blow yesterday as two more ministers resigned. Five have now quit since the ban on opposition to the ruling Kanu party was lifted earlier this month, writes Our Foreign Staff.

Mr George Muhoho, minister for research, science and technology, and a son-in-law of the late President Jomo Kenyatta, and Mr James Njenga Karume, a deputy minister, said they had resigned because of "mismanagement" of the economy and what they alleged was a cover-up of the murder last year of Mr Robert Ouko, then foreign minister.

Mr John Gachui, a deputy agriculture minister, quit on Saturday. Mr Mwai Kibaki, health minister and former vice-president, and Mr Geoffrey Karlithi, a deputy minister, also resigned earlier last week.

The resignations followed President Moi's dismissal of Mr Peter Aloo Aringo, manpower minister and Kanu chairman, who had called for reforms in the party.

## Anger over Indian grain price rises

The minority Indian government of Mr P V Narasimha Rao was sharply attacked by its political opponents yesterday for raising the prices of food grains released through the public distribution system, K K Sharma reports from New Delhi.

Wheat and rice prices were increased by 20-30 per cent at the weekend in an attempt to check the growing budget deficit. The government is committed to reducing the fiscal deficit this year to 6.5 per cent of gross domestic product and to 5 per cent next year as part of its commitment to the International Monetary Fund which has given India a $2.2bn standby credit.

Despite efforts to reduce government expenditure and increase tax revenues, the target of reducing the fiscal deficit is fast receding.

## Pakistan rape case defendant cleared

A Pakistani judge yesterday cleared President Ghulam Ishaq Khan's son-in-law of blame in the alleged gang-rape of a friend of opposition leader Benazir Bhutto, Reuter reports from Karachi.

An inquiry report by judge Abdul Rahim Kazi of the Sind province high court also ruled out any political motive in last month's alleged assault, which sparked widespread protests by opposition and human rights groups. But the report blamed official investigation agencies for "culpable omissions and negligence".

# Bush bangs the trade drum

**George Graham** previews the president's belated trip across the Pacific

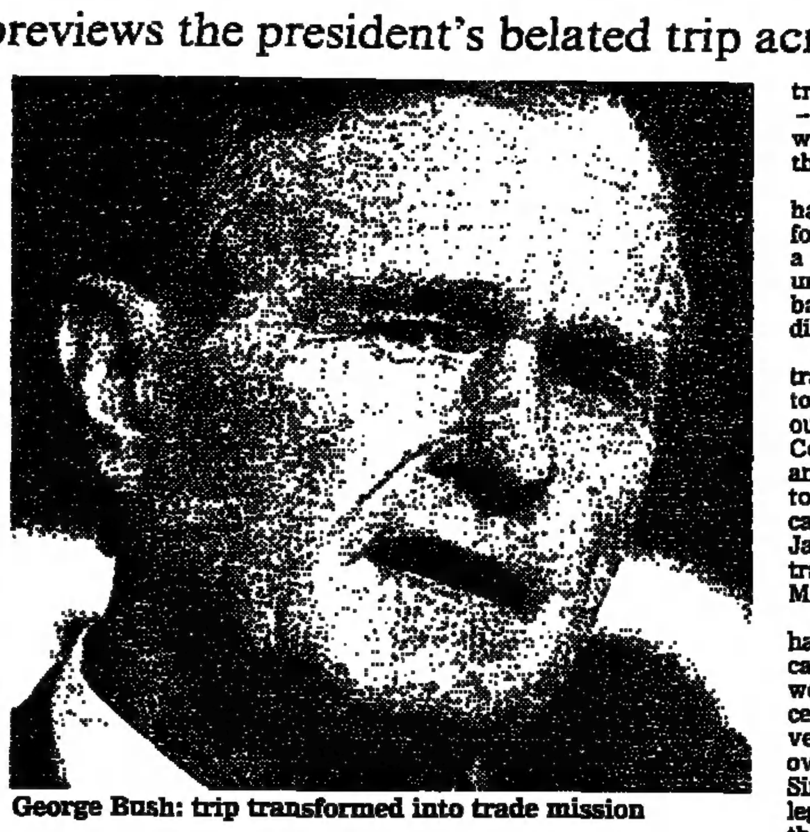
PRESIDENT George Bush cancelled his long-planned visit to the Far East in November in a moment of panic after his hand-picked candidate had lost heavily in a Senate by-election in Pennsylvania. The trip had to be hastily rescheduled to placate his irritated hosts, but his departure today for a 12-day tour of Australia, Singapore, South Korea and Japan has now taken on a very different hue.

Initially framed as an opportunity to reassert the US's long-term commitment to the Pacific region, despite its reduced military presence, the visit has been transformed into a trade mission.

Scared by polls showing that most US voters believe President Bush pays too much attention to foreign policy and not enough to the domestic economy, the White House has sought in recent weeks to paint all the president's foreign travels as job-creation schemes.

Mr Bush himself never tires of repeating his favourite new equation: $1bn of new manufactured exports equals 20,000 new jobs. But this has never been more belaboured than in the case of next week's trip to Japan.

For the first time, an American president will take with him on a state visit a retinue of corporate leaders – including the heads of the big three US carmakers and executives from motor parts, electronics and financial services companies – in a bid to drum up business for the flagging US economy.



George Bush: trip transformed into trade mission

Mr Bush says he will insist "very, very forcefully" on fair trading opportunities for US goods in the countries he will visit. But cynics contend that he is going to Japan because he has neither the time nor the inclination to go to New Hampshire to campaign against his Republican primary challenger, Mr Patrick Buchanan.

Among the sectors the president's party is expected to tackle in Japan are semiconductors, cars and car parts, pulp and paper products, glass for the construction industry, and machine tools.

In this last sector Mr Bush signalled on Friday that his domestic political worries have not turned him into an out-and-out protectionist. He announced a two-year phasing out of curbs on machine tools imported from Japan and Taiwan.

The political danger for Mr Bush is that he is unlikely to obtain enough immediate concessions from the Japanese to wave as a trophy on his return. This danger is aggravated by his retinue of businessmen, many of whom, such as Chrysler's Mr Lee Iacocca, are more interested in building impediments to Japanese exports than in access to Japanese markets.

Although Japanese officials have said they are considering measures to reduce their country's car exports to the US – the motor sector accounts for three-quarters of the US trade deficit with Japan – their US counterparts are wary of predicting success on this front.

Japan's shipments to the US have declined over the past four years to around 1.75m cars a year, well below its 2.3m voluntary export ceiling, as US-based assembly plants have displaced imports.

Mr Bush, who remains a free trader by instinct, is unlikely to be able on his Asian tour to outbid either the Democrats in Congress, who last week announced plans for legislation to curb imports of Japanese cars if the US trade deficit with Japan does not narrow, or his travelling companions such as Mr Iacocca.

Trade frictions with Japan have largely eclipsed the political and security concerns that were originally to be at the centre of President Bush's conversations, and will largely overshadow the Australian, Singaporean and South Korean legs of his tour. US officials say these aspects of the tour will still be important.

Said one administration official: "The US is and will remain a Pacific power and the president's trip is an effort to demonstrate that we believe that to be the case and that, contrary to what you may hear here and there, we are not leaving the region."

Nevertheless, the administration has come in for criticism for concentrating on the economic relationship with Japan and neglecting the shifting strategic relationship, just when the collapse of the Soviet Union has altered the balance of power in the Pacific and when Japan is debating its military role in the world.

# Farming tops Australian agenda

The US president will face mass protests in Canberra, writes **Kevin Brown**

MR BUSH will face some tough talking when he arrives in Sydney tomorrow for the Australian leg of his tour.

There are few historic tensions between the US and Australia, which has been committed to a North American defence alliance since 1942, when the wartime government turned to Washington for help against Japan. However, Canberra will have some strong words for the president about the impact of US trade policy on Australia's farmers, many of whom will make a loss this year because of recession and falling world prices.

Mr Bush will also face mass demonstrations by farmers seeking to force Canberra to link the trade issue with continued US use of advanced communications bases in Australia. Australian ministers have tried to prevent any linkage between defence and trade. However, Canberra is aware that anti-American feeling is likely to grow if Mr Bush leaves without offering something to the farmers.

The visit was planned as a reward to Mr Bob Hawke, the former Labor prime minister, who was one of the first allied leaders to commit troops to the US-led task force which fought the Gulf War. Mr Hawke was deposed 10 days ago by Mr Paul Keating, his former deputy, but the change will have little impact on the bilateral relationship. Mr Keating shares his predecessor's admiration of the US.

Though he has never explicitly said so, Mr Keating is assumed to subscribe to the consensus that Australia has too small a population and is too near potential centres of Asian instability to risk alienating the US.

Nevertheless, Mr Keating will seek assurances on three difficult trade issues:

- An end to the US export enhancement programme, which subsidises the disposal in world markets of excess US grain production. Australia's government accepts the programme is intended to defend US farmers from the effects of subsidised exports by the European Community, but it believes US leaders do not appreciate the harm being done to Australia's unsubsidised grain industry in third markets.
- Greater access to the US market. Many Australian agricultural products are subject to import restrictions which come into force when US domestic production exceeds a pre-arranged trigger point. The effect is to protect the prices received by US farmers, while reducing the incomes of Australian producers and raising prices paid by US consumers.
- Continued US support for the drive to achieve free trade in agricultural goods, which has been led by the 14-member Cairns Group of agricultural producing nations, chaired by Australia.

Both governments are considering final proposals put forward by Mr Arthur Dunkel, chairman of the General Agreement on Tariffs and Trade, for completing the Uruguay Round of trade negotiations. Australia will want to be sure that the US remains committed to the principle of free trade, even if it cannot be achieved in the current round.

In case these points are missed by Mr Bush, thousands of farmers and their families will rally in Canberra on Thursday, the same day as the US president meets Mr Keating. Although the demonstrations are intended to be peaceful, emotions are running high, and there have been several outbreaks of violence since a deep recession took hold of rural Australia in the middle of last year.

In the worst incident, an unidentified "Farmers' Strikeforce" cut an isolated railway line near Geraldton in Western Australia, nearly derailing a goods train. Farmers have also blocked roads into Perth, and broken into the US satellite tracking station at Yaragadee.

There is little chance Canberra will listen to the farmers, not least because the military bases are as important to Australia's ability to monitor regional developments as they are to the global US defence effort. Nevertheless, the continued friction between Washington and Canberra on agricultural trade issues does have the potential to sour an otherwise close relationship. That is an outcome which both governments will want to avoid.

# Lebanon's economy bounces back

By Lara Marlowe in Beirut

THE PROSPECTS for Lebanon's economy are looking increasingly bright as the country completes its first peaceful year in 17 years.

Confidence in what was once among the Middle East's most thriving commercial centres has received a series of fillips in recent weeks, not least the liberation of all but two of the western hostages.

That alone is likely to encourage western bankers and businessmen to return to the country where local officials estimate the task of reconstruction after the bloody civil war could cost up to $4.5bn over the next five years.

The first helping of aid for this purpose was approved by international donors at a World Bank conference in Paris earlier this month. Eleven countries, including several Gulf states, and 12 financial institutions pledged $700m towards emergency rebuilding.

Although this fell short of Lebanese officials' hopes, the Paris meeting was the first concrete sign that Arab countries might fulfil a promise made in June 1990 to contribute a total of $2bn towards rebuilding Lebanon.

Moreover, the beneficial effect of statements made in Paris by Mr Caio Koch-Weser, World Bank vice president responsible for the Middle East, might prove as significant as the money promised. "The Lebanese economy, despite 16 years of war, is fundamentally healthy," he said. "Once confidence [in Lebanon] is restored, the prospects for investment are enormous."

Mr Koch-Weser stressed that the $700m did not include expected assistance from the World Bank itself, which Lebanese officials hope will contribute up to $1.4bn in credits over the next three years.

A World Bank fact-finding mission in the autumn estimated that the dividend of peace in Lebanon this year is a rise in output of some 30 per cent this year, largely from the lively private sector.

Of the early investors in Lebanon's rehabilitation, Saudi Arabia has helped most. The kingdom has financed improvements in Beirut's roads and refuse collection, and bought Lebanese treasury bills.

In October, the Bank of Kuwait and the Arab Development Fund contributed a combined $101m to restoring Lebanon's electricity network. But the government says it needs at least $210m for the project, which is behind schedule.

Italy has taken the lead among European countries, signing a $162m aid and loan package at the end of November. The Italian government has also made available $90m in past unused credits and is said to be considering a further $150m in assistance.

## INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

This table shows the growth rate of GNP/GDP in constant prices, plus a percentage breakdown of the components of the current price series.

| | UNITED STATES | | | | | JAPAN | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Growth in real GNP (%) | Private Cons. (as a % of GNP) | Private Invest. (as a % of GNP) | Govt. Spend. (as a % of GNP) | Net Exports (as a % of GNP) | Growth in real GNP (%) | Private Cons. (as a % of GNP) | Total Invest. (as a % of GNP) | Govt. Cons. (as a % of GNP) | Net Exports (as a % of GNP) |
| 1965 | 5.8 | 62.5 | 16.5 | 19.6 | 1.4 | 5.8 | 58.7 | 31.6 | 8.2 | 1.4 |
| 1966 | 5.8 | 61.8 | 16.7 | 20.5 | 1.0 | 10.5 | 58.0 | 32.4 | 8.0 | 1.6 |
| 1967 | 2.9 | 61.7 | 15.4 | 22.0 | 0.9 | 10.9 | 58.5 | 35.4 | 7.7 | −0.0 |
| 1968 | 4.2 | 61.9 | 15.3 | 22.1 | 0.6 | 12.0 | 54.9 | 36.9 | 7.4 | 0.8 |
| 1969 | 2.4 | 62.0 | 15.9 | 21.5 | 0.6 | 12.1 | 53.7 | 37.7 | 7.3 | 1.3 |
| 1970 | −0.3 | 63.0 | 14.7 | 21.5 | 0.8 | 10.3 | 52.4 | 39.1 | 7.4 | 1.0 |
| 1971 | 2.8 | 62.7 | 15.6 | 21.1 | 0.6 | 4.4 | 53.6 | 35.8 | 7.9 | 2.6 |
| 1972 | 5.0 | 62.5 | 16.7 | 20.6 | 0.3 | 8.3 | 54.0 | 35.5 | 8.1 | 2.3 |
| 1973 | 5.2 | 61.6 | 17.6 | 19.6 | 1.2 | 7.7 | 53.7 | 38.1 | 8.2 | 0.0 |
| 1974 | −0.5 | 62.2 | 16.4 | 20.3 | 1.1 | −0.8 | 54.5 | 37.5 | 9.0 | −1.0 |
| 1975 | −1.3 | 63.4 | 13.7 | 21.0 | 1.9 | 2.9 | 57.2 | 32.8 | 10.0 | −0.0 |
| 1976 | 4.9 | 63.3 | 15.6 | 20.0 | 1.1 | 4.2 | 57.5 | 31.9 | 9.9 | 0.7 |
| 1977 | 4.7 | 63.2 | 17.3 | 19.5 | 0.1 | 4.8 | 57.7 | 30.8 | 9.8 | 1.6 |
| 1978 | 5.3 | 62.4 | 18.5 | 18.9 | 0.2 | 5.0 | 57.6 | 30.9 | 9.7 | 1.8 |
| 1979 | 2.5 | 62.5 | 18.1 | 18.7 | 0.7 | 5.6 | 58.7 | 32.4 | 9.7 | −0.8 |
| 1980 | −0.2 | 63.4 | 16.0 | 19.4 | 1.2 | 3.5 | 58.9 | 32.2 | 9.8 | −0.9 |
| 1981 | 1.9 | 62.7 | 16.9 | 19.3 | 1.1 | 3.4 | 58.3 | 31.2 | 9.9 | 0.6 |
| 1982 | −2.5 | 64.8 | 14.1 | 20.3 | 0.8 | 3.4 | 59.4 | 29.9 | 9.9 | 0.8 |
| 1983 | 3.6 | 65.5 | 14.7 | 19.8 | −0.2 | 2.8 | 60.1 | 28.0 | 9.9 | 1.9 |
| 1984 | 6.8 | 64.4 | 17.6 | 19.5 | −1.6 | 4.3 | 59.4 | 28.0 | 9.8 | 2.9 |
| 1985 | 3.4 | 65.5 | 16.0 | 20.4 | −1.9 | 5.1 | 58.7 | 28.0 | 9.5 | 3.7 |
| 1986 | 3.0 | 66.6 | 16.8 | 19.5 | −3.1 | 2.7 | 58.3 | 27.7 | 9.8 | 4.3 |
| 1987 | 3.0 | 67.2 | 16.5 | 19.4 | −3.1 | 4.3 | 58.4 | 28.4 | 9.4 | 3.8 |
| 1988 | 4.0 | 67.2 | 16.2 | 18.7 | −2.2 | 6.3 | 57.6 | 30.4 | 9.1 | 2.9 |
| 1989 | 2.4 | 67.0 | 16.0 | 18.5 | −1.6 | 4.8 | 57.3 | 31.5 | 9.1 | 2.1 |
| 1990 | 1.1 | 67.7 | 14.5 | 18.9 | −1.3 | 5.3 | 57.0 | 32.6 | 9.0 | 1.4 |
| 1991* | −0.5 | 68.1 | 13.9 | 19.1 | −1.1 | 4.5 | 56.3 | 32.5 | 8.8 | 2.3 |
| 1992* | 2.2 | 68.2 | 14.5 | 18.6 | −1.3 | 2.4 | 56.9 | 32.3 | 8.8 | 2.0 |

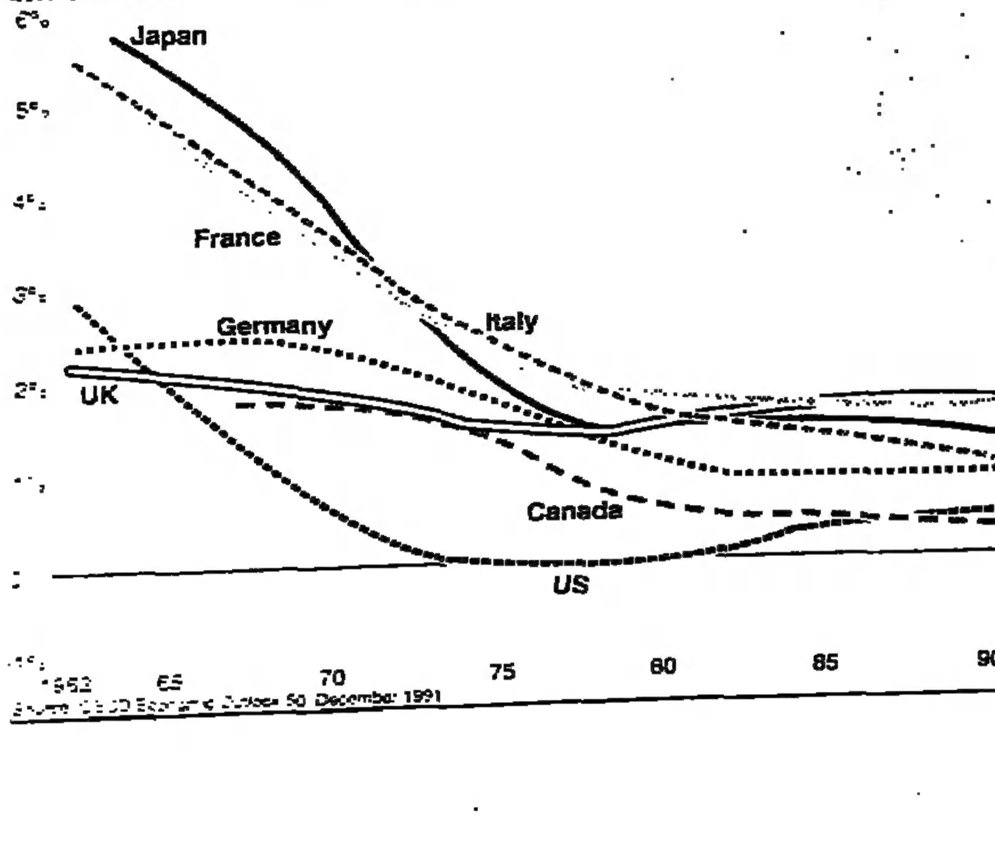
| | GERMANY | | | | | FRANCE | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Growth in real GNP (%) | Private Cons. (as a % of GNP) | Total Invest. (as a % of GNP) | Govt. Cons. (as a % of GNP) | Net Exports (as a % of GNP) | Growth in real GDP (%) | Private Cons. (as a % of GDP) | Total Invest. (as a % of GDP) | Govt. Cons. (as a % of GDP) | Net Exports (as a % of GDP) |
| 1965 | 5.3 | 56.1 | 28.4 | 15.2 | 0.3 | 4.8 | 59.6 | 24.9 | 14.5 | 1.0 |
| 1966 | 2.9 | 56.3 | 26.5 | 15.4 | 1.7 | 5.2 | 59.6 | 25.7 | 14.4 | 0.3 |
| 1967 | −0.2 | 57.2 | 23.0 | 16.2 | 3.6 | 4.7 | 60.9 | 25.6 | 13.2 | 0.3 |
| 1968 | 5.7 | 56.3 | 24.5 | 15.5 | 3.7 | 4.4 | 61.0 | 25.1 | 13.8 | 0.1 |
| 1969 | 7.6 | 55.3 | 26.2 | 15.6 | 2.9 | 7.2 | 60.9 | 26.1 | 13.6 | −0.6 |
| 1970 | 4.9 | 54.6 | 27.6 | 15.7 | 2.1 | 5.6 | 57.6 | 26.9 | 15.0 | 0.5 |
| 1971 | 3.0 | 54.5 | 26.7 | 16.9 | 1.9 | 4.8 | 57.5 | 26.2 | 15.2 | 1.1 |
| 1972 | 4.4 | 54.8 | 25.9 | 17.1 | 2.2 | 4.4 | 57.4 | 26.4 | 15.2 | 1.0 |
| 1973 | 4.9 | 53.9 | 25.2 | 17.7 | 3.1 | 5.4 | 56.8 | 27.2 | 15.1 | 0.9 |
| 1974 | 0.2 | 54.2 | 22.1 | 19.3 | 4.5 | 3.1 | 57.2 | 28.1 | 15.7 | −1.0 |
| 1975 | −1.3 | 56.7 | 19.8 | 20.4 | 3.1 | −0.3 | 58.4 | 23.5 | 16.9 | 1.2 |
| 1976 | 5.1 | 56.2 | 21.5 | 19.8 | 2.5 | 4.2 | 58.1 | 25.4 | 17.2 | −0.7 |
| 1977 | 2.7 | 57.1 | 20.8 | 19.7 | 2.4 | 3.2 | 57.9 | 24.5 | 17.5 | 0.1 |
| 1978 | 3.5 | 56.4 | 21.0 | 19.6 | 3.0 | 3.4 | 57.6 | 23.2 | 17.9 | 1.3 |
| 1979 | 4.1 | 56.0 | 23.3 | 19.6 | 1.1 | 3.2 | 57.8 | 23.7 | 17.9 | 0.6 |
| 1980 | 1.1 | 56.6 | 23.4 | 20.2 | −0.1 | 1.6 | 58.6 | 24.2 | 18.4 | −1.2 |
| 1981 | 0.2 | 57.4 | 20.9 | 20.7 | 1.1 | 1.2 | 60.0 | 21.9 | 19.1 | −1.0 |
| 1982 | −1.2 | 57.6 | 19.3 | 20.5 | 2.5 | 2.5 | 60.4 | 21.9 | 19.6 | −1.9 |
| 1983 | 1.8 | 57.3 | 20.2 | 20.1 | 2.4 | 0.7 | 60.5 | 19.9 | 19.8 | −0.2 |
| 1984 | 3.0 | 56.8 | 20.1 | 19.9 | 3.2 | 1.3 | 60.5 | 19.0 | 19.9 | 0.7 |
| 1985 | 2.1 | 56.4 | 19.5 | 19.9 | 4.1 | 1.9 | 60.8 | 18.9 | 19.6 | 0.7 |
| 1986 | 2.2 | 55.0 | 19.5 | 19.7 | 5.7 | 2.5 | 60.2 | 19.6 | 19.2 | 1.0 |
| 1987 | 1.4 | 55.3 | 19.2 | 19.8 | 5.6 | 2.3 | 60.6 | 20.1 | 19.1 | 0.1 |
| 1988 | 3.5 | 54.7 | 20.0 | 19.6 | 5.8 | 4.2 | 60.0 | 21.2 | 18.8 | 0.1 |
| 1989 | 3.8 | 54.0 | 20.9 | 18.7 | 6.4 | 3.9 | 59.7 | 21.9 | 18.3 | 0.2 |
| 1990 | 4.7 | 53.5 | 21.9 | 18.2 | 6.4 | 2.8 | 60.0 | 21.8 | 18.3 | −0.0 |
| 1991* | 3.2 | 52.9 | 22.8 | 17.6 | 6.7 | 1.4 | 60.1 | 21.4 | 18.5 | −0.0 |
| 1992* | 1.8 | 52.5 | 23.2 | 17.4 | 6.8 | 2.1 | 60.0 | 21.3 | 18.4 | 0.3 |

| ITALY | | | | | UNITED KINGDOM | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Growth in real GDP (%) | Private Cons. (as a % of GDP) | Total Invest. (as a % of GDP) | Govt. Cons. (as a % of GDP) | Net Exports (as a % of GDP) | Growth in real GDP (%) | Private Cons. (as a % of GDP) | Total Invest. (as a % of GDP) | Govt. Cons. (as a % of GDP) | Net Exports (as a % of GDP) | |
| 3.2 | 62.1 | 24.0 | 13.4 | 2.2 | 2.2 | 64.5 | 19.7 | 16.7 | −1.0 | 1965 |
| 5.8 | 63.2 | 23.5 | 13.2 | 1.7 | 2.1 | 64.0 | 19.2 | 17.1 | −0.2 | 1966 |
| 6.9 | 63.6 | 24.4 | 12.8 | 1.0 | 2.8 | 63.6 | 19.7 | 17.8 | −1.1 | 1967 |
| 6.3 | 62.6 | 24.9 | 12.9 | 2.0 | 4.2 | 63.1 | 20.4 | 17.5 | −0.9 | 1968 |
| 5.9 | 62.2 | 26.1 | 12.6 | 1.4 | 1.3 | 62.7 | 19.9 | 17.1 | 0.3 | 1969 |
| 5.2 | 62.4 | 27.0 | 12.2 | 0.4 | 2.4 | 62.1 | 19.6 | 17.5 | 0.8 | 1970 |
| 1.8 | 62.3 | 25.3 | 13.8 | 0.9 | 2.8 | 62.0 | 18.9 | 17.7 | 1.3 | 1971 |
| 3.0 | 62.5 | 24.5 | 14.3 | 0.7 | 2.5 | 63.3 | 18.6 | 18.3 | −0.2 | 1972 |
| 7.0 | 62.3 | 27.1 | 13.8 | −1.9 | 7.9 | 62.7 | 21.9 | 18.0 | −2.5 | 1973 |
| 4.4 | 62.7 | 29.5 | 13.4 | −4.1 | −0.9 | 63.4 | 21.9 | 19.7 | −5.0 | 1974 |
| −3.7 | 64.1 | 25.1 | 13.7 | −0.1 | −0.7 | 61.8 | 18.4 | 21.6 | −1.8 | 1975 |
| 6.0 | 62.7 | 26.5 | 13.0 | −1.2 | 3.7 | 60.2 | 19.9 | 21.2 | −1.2 | 1976 |
| 1.9 | 61.9 | 24.9 | 13.6 | 1.0 | 1.1 | 59.7 | 19.6 | 20.0 | 0.6 | 1977 |
| 2.7 | 61.4 | 23.5 | 14.1 | 2.1 | 3.5 | 59.7 | 19.4 | 19.7 | 1.2 | 1978 |
| 4.9 | 61.0 | 24.3 | 14.4 | 1.0 | 2.3 | 60.5 | 19.7 | 19.6 | 0.3 | 1979 |
| 3.9 | 62.3 | 27.0 | 15.0 | −4.2 | −1.9 | 60.0 | 18.8 | 21.0 | 2.1 | 1980 |
| 0.9 | 62.3 | 24.7 | 16.2 | −3.3 | −1.0 | 60.6 | 15.0 | 21.6 | 2.8 | 1981 |
| 0.3 | 62.8 | 23.5 | 16.3 | −2.6 | 1.3 | 61.0 | 15.6 | 21.6 | 1.8 | 1982 |
| 1.1 | 62.6 | 21.7 | 16.6 | −1.0 | 3.8 | 61.2 | 16.4 | 21.5 | 0.6 | 1983 |
| 3.0 | 62.3 | 23.0 | 16.5 | −1.8 | 1.6 | 61.4 | 17.3 | 21.5 | −0.2 | 1984 |
| 2.6 | 62.7 | 22.5 | 16.7 | −1.9 | 3.7 | 61.1 | 17.2 | 20.7 | 0.9 | 1985 |
| 2.5 | 62.4 | 20.7 | 16.5 | 0.4 | 4.0 | 63.0 | 17.0 | 20.7 | −0.7 | 1986 |
| 3.0 | 62.5 | 20.7 | 17.0 | −0.3 | 4.6 | 62.9 | 17.9 | 20.3 | −1.1 | 1987 |
| 4.2 | 61.9 | 21.4 | 17.3 | −0.6 | 4.2 | 63.9 | 20.1 | 19.5 | −3.7 | 1988 |
| 3.2 | 62.0 | 21.6 | 17.0 | −0.7 | 2.3 | 63.9 | 20.6 | 19.4 | −3.9 | 1989 |
| 2.0 | 64.3 | 19.3 | 17.0 | −0.5 | 1.1 | 63.4 | 19.1 | 19.9 | −2.5 | 1990 |
| 1.0 | 64.9 | 18.9 | 16.9 | −0.8 | −1.9 | 63.5 | 17.2 | 20.6 | −1.4 | *1991 |
| 2.0 | 65.3 | 18.9 | 16.8 | −1.0 | 2.2 | 63.5 | 17.3 | 20.9 | −1.7 | *1992 |

* = 1991 estimates and 1992 forecasts are taken from OECD Economic Outlook no 50 (Dec.1991). Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. The growth rate is the percentage change over the previous year, and is positive unless otherwise stated. GNP/GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Data supplied by Datastream from national government sources.

**Total factor productivity growth**

Estimated trend




Source: OECD Economic Outlook 50 December 1991

# UK productivity 'miracle' in international context

BRITAIN'S relative economic performance in the 1980s was markedly better than in previous post-war decades. Its average annual growth rate finally converged on the European average, while UK productivity growth was at least as rapid as in EC Europe for the first time since the second world war.

Yet this convergence reflects the steady deterioration in the performance of all the other main industrialised economies over the past two decades rather than a rapid improvement in the fortunes of the UK economy. The average annual growth rate of UK gross domestic product was 2.2 per cent between 1979-89, identical to the average for OECD Europe. For the UK, this growth rate was an improvement on the 1.4 per cent average between 1973-79; but for Europe, it merely continued a declining trend from an average 2.5 per cent growth rate in 1973-79. This trend is highlighted by this week's table which shows GDP growth rates over the past 25 years.

The reversal of the UK's relative position is made more stark by the accompanying chart which shows the OECD's estimates of trend total factor productivity growth since 1962 for the seven largest industrialised countries. This measures the growth of output not explained by the growth of inputs into the production process – raw materials, the capital stock and the labour force.

The average annual rate of G7 total factor productivity growth has decelerated by around 2 percentage points since the 1960s. But the UK's trend growth rate has fallen far less dramatically than anywhere else. Consequently, the UK has moved from having the slowest to the fastest growth rate.

For most countries, productivity growth rates in the 1970s merely reverted to a more normal pace after the heady days of the 1950s and 1960s. Labour productivity in Europe and Japan during those two decades was higher than in any measured pre-war period. The combination of post-war reconstruction, trade liberalisation after the protectionism of the inter-war period, and technological innovation during the second world war all fuelled this growth. Only in the US was productivity growth worse in the 1970s and 1980s than in the first half of the century.

The cause of the sharp slowdown in productivity growth rates is not well understood. But one part of the story is the slowing pace of technological catch-up as countries converged with the US. The US still has the highest level of labour productivity among the G7 countries, despite its recent poor performance. The UK, by contrast, has the lowest level, suggesting Britain still has more catching up to do. But Britain's technology gap may have more to do with labour and management skills than capital investment. The UK had a faster productivity growth than Germany or Japan in the 1980s, despite investing a smaller proportion of its GDP.

The productivity slowdown dates from the 1973 oil shock. The large increases in oil, energy and raw material prices may have diverted investment to energy conservation while rendering energy-intensive capital economically obsolete. The OECD also likes to wag its finger at the growth of the public sector which may divert resources away from more productive uses. OECD government spending rose from 32.3 per cent of GDP in 1970 to 41.6 per cent in 1989.

The oil price rise may also have exacerbated tensions over the feasible rate of real wage growth, tensions which were already severe in the UK. In the 1970s, Britain had the lowest rate of return on capital among the G7 and the highest rate of unionisation. Mr Stephen Nickell, Mr Sushil Wadhwani and Mr Martin Wall have shown that unionised companies in the UK had a lower rate of productivity growth than non-union companies in 1976-79. But, they argue, the 1980s saw a re-tilting of the balance of power in the UK work-place. Unionised companies had higher rates of productivity growth in 1979-84 as managers forced changes in working practices on weakened unions.

**Edward Balls**

*S.Nickell, S.Wadhwani and M.Wall, "Productivity Growth in UK Companies, 1975-86", Centre for Economic Performance discussion paper No 26, March 1991*

Institute of Directors survey

# Rise in orders fails to dispel bleak outlook

**By Peter Norman,** Economics Correspondent

BRITAIN'S company directors are less optimistic about the outlook for the economy and their own companies despite improvements in their orders, profits and business volume during the past two months.

The latest bi-monthly survey of business opinion from the Institute of Directors found a sharp fall since October in the proportion of directors feeling more optimistic about the economy.

A telephone poll of a random sample of 300 directors taken in the first two weeks of this month showed that only 37 per cent were more optimistic about the UK economy than six months earlier compared with 52 per cent in October.

The proportion of directors who were less optimistic than at mid-summer increased to 30 per cent from 16 per cent in the IoD's previous poll.

Similarly, directors were less hopeful about their own companies' prospects with only 48 per cent saying that they were more optimistic compared with 56 per cent in October. The proportion of those who are less optimistic about their companies' prospects rose from 12 per cent in October to 18 per cent this month.

On the other hand, 64 per cent of directors said their companies were doing "very or fairly well" compared with 59 per cent in October, a development that the IoD attributed to increased profits, business volume and orders.

The number of directors reporting an increase in orders rose to 38 per cent in the latest survey from 34 per cent in October and 30 per cent in August while the proportion reporting a fall dropped to 33 per cent from 42 per cent and 43 per cent respectively.

Similarly, 37 per cent of directors reported profits up on six months ago compared with 33 per cent in October while the proportion reporting falling profits dropped to 36 per cent from 41 per cent.

The number of directors reporting rising business volume increased to 42 per cent in December from 37 per cent in October and 33 per cent in August.

For the first time this year, more directors (42 per cent) reported business volume up on six months ago than reported it down (36 per cent).

However, investment has slowed while the outlook for jobs is bleak.

## Business failures increase

**By Peter Norman,** Economics Correspondent

The number of business failures in Britain increased by 65 per cent this year to 47,777, with the rate of collapses quickening in the final quarter of 1991, Dun & Bradstreet, the business information group, said.

According to figures published today, 995 companies have gone out of business each week in the past three months compared with 900 a week earlier in the year.

The 47,777 total of failures is the highest level recorded by Dun & Bradstreet since it started to keep business failure statistics in 1980. Last year, business failures reached their previous record level of 28,935 after rising sharply from 16,652 in the boom year of 1988.

In the earlier recession years of 1980 and 1981, Dun & Bradstreet recorded 10,650 and 13,200 business failures respectively.

"The really worrying message from these figures is that the situation is getting worse," said Mr Philip Mellor, D&B's marketing manager. "Quite clearly well-established companies as well as new ones are going to the wall."

# Nissan seeks to lift market share

**By Kevin Done,** Motor Industry Correspondent

NISSAN MOTOR, Japan's second largest car maker, launches a fresh assault on the UK new car market this week with the opening of a 150-strong nationwide dealer network.

It is seeking to gain 4 per cent of the UK new car market in 1992 with the long-term aim of more than doubling its share to around 10 per cent. It expects to have 250 dealers in operation by August 1992.

The opening of the network marks the climax to its bitter and protracted legal battle with Nissan UK, the privately-owned group which has been Nissan's British vehicle importer/distributor for the last 21 years.

Nissan announced a year ago that it would withdraw the franchise from NUK and Mr Octav Botnar, its embattled 78-year-old chairman, with effect from the beginning of 1992.

It has established a wholly-owned subsidiary Nissan Motor (GB) to replace NUK.

Nissan says its renewed attack on the British market is being supported by many of the leading UK publicly-quoted multi-franchise dealer groups, including Hartwell, Appleyard, Lex Service and the Inchcape subsidiary Mann Egerton, several of which were joining the Nissan franchise for the first time.

Nissan's drastic move to develop a new dealer network signals one of the biggest upheavals seen in the British retail motor market.

It poses a serious long-term challenge to the leading UK car franchises – Ford, Vauxhall, the General Motors subsidiary, and Rover – which will soon face additional pressure from other Japanese car makers, as Toyota and Honda also seek to expand their sales networks to prepare for the start up of their UK car assembly plants in late 1992.

Nissan's immediate task is to recover ground lost this year through the conflict with its British distributor. Its share of the UK new car market has shrunk to less than 3 per cent in recent months from more than 6 per cent in 1988-89.

The new dealer network, which has been developed in less than 12 months, will open on Wednesday.

A fleet of more than 300 vehicle transporters will begin to move a stock of 10,000 new Nissan vehicles stored in north-east England to dealers, with 3,000 cars to be delivered in the first four days of January.

Nissan is planning a £20m advertising campaign in 1992 to restore confidence in the battered franchise, but Nissan customers still face confusion.

For several months it is expected that new Nissan cars and light commercial vehicles will be on offer at different prices and with different specifications through two rival dealer networks, one co-ordinated by Nissan itself, and the other controlled by NUK.

NUK claims that it has a stock of about 17,500 cars and 2,500 light commercial vehicles to supply to its own dealer network during the early months of the year. Nissan Motor disputes the figure.

The Nissan upheaval is affecting the entire UK retail motor sector with around 200 dealerships now being forced to seek new franchises after losing Nissan. Mr Botnar had developed a network of around 380 Nissan dealers at its peak.

## Employers plan cut in recruitment says agency

**By Peter Norman,** Economics Correspondent

JOB HUNTERS in Britain are facing a particularly difficult first quarter of next year, according to Manpower, the employment services company.

Its latest survey of employment prospects it suggests that only 9 per cent of employers plan to recruit more staff in the three months to the end of March compared with 21 per cent that plan job cuts.

The two findings have produced a negative balance of minus 12 per cent, which represents a marked deterioration in the jobs outlook compared with both the final quarter of this year and the first quarter of 1991, when Manpower surveys recorded negative balances of 3 per cent.

The company asked 1,500 organisations with a total of nearly 1m employees about their recruitment plans for the coming quarter. It found that the services sector expects the biggest job losses. By contrast, employment is expected to increase in the electronic engineering and mechanical engineering industries.

UK POLITICS

# Opposition leaders greet New Year with calls for change

**By Ivo Dawnay,** Political Correspondent

BRITAIN'S two main opposition leaders were yesterday competing to offer their rival prescriptions for modernising the country in New Year's messages that both trumpeted the traditional rallying cry - "It is time for a change."

For Labour, Mr Neil Kinnock issued a detailed 10-page statement under the heading "A New Year, a New Government", placing heavy emphasis on his party's positive policies for industrial renewal and improved public services.

By contrast, Mr Paddy Ashdown, the Liberal Democrat leader, disparaged both the large parties for failing to set a new agenda. Once again claiming that the electoral system is the key to Britain's weakness, he said: "We will not change Britain just by changing the occupant of 10 Downing street. The 1992 election must also be about how Britain is governed."

Despite a shared determination to emphasise their own policies as positive alternatives to government inaction, neither could resist a series of swipes at Mr John Major's administration.

Neil Kinnock

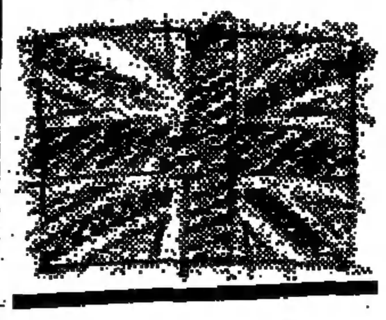
Paddy Ashdown

Mr Kinnock said that the recession has "shrivelled the economy and crushed confidence", while the government was paralysed by the electoral consequences of what was a self-inflicted slump.

Mr Ashdown claimed Labour was "timid, cautious and lacking in ambition" for Britain. "Labour has lost a philosophy but has yet to find a role," he claimed.

Arguing that the Liberal Democrats' strongly pro-European policy, commitment to anti-trust legislation and heavy emphasis education represented a more radical vision, he concluded that a strong electoral performance would leave his party able to become Britain's lever for change.

## BRITAIN IN BRIEF



### Tokyo leads office rent league table

London remains the world's most expensive office location after Tokyo, according to Healey & Baker, chartered surveyors. It calculates that the total cost of renting an office including services charges and taxes is about £80 per sq ft in London. Some agents argue that the fall in London's rents have been so severe that it has ceded its position as the world's second most expensive city to Paris. Surveys agree however that London, Paris and Hong Kong charge the highest office rents after Tokyo, followed by cities like Singapore, Madrid, Frankfurt and Milan.

Recession has hit rents in many of the world's large cities. Exceptions are Berlin, where rents more than doubled over the last year, Frankfurt (up 17 per cent), Brussels (up 14 per cent) and Amsterdam (up 11 per cent.) Atlanta, which is due to host the 1996 Olympics, was the only city where rents increased in the US.

### Aids drug may reduce deaths

British doctors have discovered a drug which apparently reduces the death rate from Aids, a newspaper has reported. A three-year trial on 300 Aids patients in Britain, Germany and Australia has been halted to allow the control group access to the treatment as well, says a report in the Sunday Times. The drug is Acyclovir, until now prescribed for infections such as herpes and shingles. Used in a cocktail with AZT, the world's first licensed anti-Aids drug, it has apparently cut by half the death rate of patients being prescribed AZT alone. A co-ordinator of the British tests, Dr Paul Griffiths, professor of virology at north London's Royal Free hospital said the drug had removed the automatic death sentence carried by HIV, the newspaper reported.

### Teachers seek distress funds

Teachers aged between 40 and 50 have taken over from sick and elderly as the main applicants for charitable distress funds, a teachers' union has said. The recession, high interest rates, broken marriages and credit card debts are tipping hard-up teachers over the financial brink, according to the Assistant Masters' and Mistresses' Association. Applications to the 135,000-strong union's benevolent fund have doubled in the past three years. Three out of four seeking help are under 60 and the bulk are in their 40s and 50s.

### Tax cuts may help health care

Tax breaks are needed to stimulate the growth of private long-term care insurance says a report published today by the Adam Smith Institute, the economic think-tank. More favourable tax treatment of premiums and benefits would encourage people to buy long-term care insurance which covers the cost of nursing and residential care that may be needed in retirement, says the report which is edited by Dr Eamonn Butler.

### Accountability for accidents

Named company directors and managers should be made accountable for workplace accidents, the Institute of Employment Rights says in a report on improving safety at work published today. Those directors and managers found guilty of causing harm to workers should face severe criminal penalties, says the study conducted by the union-backed legal think tank.

A "general audit" should also be introduced across industry which would analyse the common causes of accidents. Says the report: "Treating each individual disaster as an unfortunate accident tends to obscure these common features and allows managers to avoid shouldering the responsibility."

## UK NEWS

# Cook claims party bias on NHS boards

By Alan Pike, Social Affairs Correspondent

MR WILLIAM Waldegrave, the health secretary, was accused by Labour yesterday of abusing his power of patronage and showing party-political bias in appointments to trust hospital boards.

Mr Robin Cook, Labour health spokesman, said that of 24 local councillors appointed by Mr Waldegrave to the boards of second-wave trusts coming into operation in April, 22 were Conservatives.

The information on councillors is from a Labour survey of the 102 hospitals and other services which will become self-governing trusts, run by their own directors and boards. Mr Cook said the survey results showed that business interests would dominate the boards, with business managers, lawyers, accountants and property developers representing two-thirds of all appointments.

He accused the government of creating a National Health Service run as a business.

He said: "Executives who have spent their whole working life taking commercial decisions are not going to change their style now that they own a hospital. These boards are supposed to represent local people – in fact, the local chamber of commerce would be more representative of the local community than most of these new boards."

The "flagrant political bias of the appointments", said Mr Cook, showed that Mr Waldegrave did not want people who would represent local interests, but only those who would represent the Conservative interest.

At Hinchingbrooke hospital in the Huntingdon constituency of Mr John Major, prime minister, three of the five non-executive directors were serving Conservative councillors, one was a management consultant and the fifth an accountant who served with the Department of Trade and Industry deregulation unit.

# Plan for golf centre at Castle Howard

CASTLE HOWARD, the stately home made famous when it became the backdrop for the television series Brideshead Revisited, could become an international golf centre.

Leading golfer Nick Faldo's sporting consultancy Bride Hall, together with the Howard family which owns the North Yorkshire home, want to build a 150-bedroom hotel with two international-standard golf courses on part of the estate.

A feasibility study has confirmed the project's viability but Ryedale district councillors have now to be convinced that a golf course on the Howardian Hills – designated an area of outstanding natural beauty – will not detract from the landscape.

Experts will prepare a full environmental assessment in the new year, looking at the likely impact of the 300-acre development.

Mr Simon Howard, managing director of the stately home, said that without the finance from the development, only basic upkeep would be possible in the future.

A recent sale of antiques from the attics of the stately home raised £1.87m for restoration work, but income from the multi-million pound golf and leisure complex would provide long-term financial support for repairs and maintenance.

Mr Howard said: "Great care has been taken to find a secluded location for the development which will involve no radical alteration to the landscape.

## APPOINTMENTS

# Bateman's flourish

1991 has finished with a bang for Martin Bateman, one of the the stars of the UK's direct motor insurance boom.

Bateman, 48, who has steered Top UK, the UK direct motor insurance subsidiary of Denmark's Topdanmark, since 1987, is one of a coterie of executives specialising in the management of insurance companies that market their products via the mass media and over the telephone.

In November, after Topdanmark announced its plans to merge Top UK with another UK direct motor subsidiary, Preferred, Bateman was given the job of spearheading the Danish company's drive into the UK market.

But less than a month later he has announced that he is moving on – this time to head a revamping of RAC INSURANCE SERVICES, the insurance broking subsidiary of the Royal Automobile Club.

The RAC is looking to increase the number of policies it brokes from current levels of about 200,000 a year – by stepping up its telesales activities.

Bateman, who worked with the Italian insurer, Toro, in Italy, as well as a range of companies in the UK earlier in his career, is looking forward to the new challenge.

Meanwhile Peter Hallet, who has been with Preferred for nine years, takes over the top job at the Camberley-based company.

## Resurfacing in water

Andrew Glasgow, a well-known figure in the UK electronics industry and until recently group managing director of Marconi Communication Systems, has resurfaced as managing director of NORTH WEST WATER International.

His brief is to market the technology and services of a regional water company outside Britain, and he will report directly to chief executive Robert Thian.

In the past, North West Water has acted abroad in consultancy and other capacities, but the idea is now to promote the company more vigorously and to bid for complete programmes overseas. The company is currently tendering for contracts worth over £300m in connection with water treatment projects in Melbourne and Sydney. It will concentrate on expanding activities in both the Middle and Far East.

Glasgow, 48, who joined North West Water earlier this month, had been associated with Marconi, the aerospace and electronics arm of the General Electric Company, for 24 years. A chartered engineer, he had previously been managing director of Marconi Space Systems and projects director of Marconi Underwater Systems. Colleagues at Marconi recall his abrasive and at times controversial style, but Glasgow would not be drawn on the reasons surrounding his departure from Marconi and his subsequent change of tack.

## Electronics switches

■ Martin Francis (above) is promoted to senior vice president and joins the board of LTX Corporation. Francis, who is British, will still work from European headquarters in Woking, Surrey.

■ Andrew Evans is moving from Ericsson to become marketing director of GANDALF DIGITAL COMMUNICATIONS.

■ Iain MacGregor is moving from Digital Equipment Corporation to become UK vice president of SCI. He will also be responsible for planning a major push into wider European markets.

■ Richard Provis moves from Tandem Computers to the new position of sales director at NEXUS Payments Systems International.

■ Duncan Williams is moving from Hutchison Mobile Data to become sales and marketing director of PRIVATE MOBILE RADIO; he replaces Mike Fogarty, a joint founder of PMR who has now retired.

Just-in-Time

# No napping in the pyjama game

**Michiyo Nakamoto** reports on how new methods are replacing more traditional practices

In a bright and cheerful factory in Derby, 14 female workers are busily producing satin pyjamas for Marks and Spencer. As they work, they have the production manager, chief mechanic and supervisor at their beck and call.

They are the pioneers of Just-in-Time (JIT) manufacturing at Stuart Broughton, the lingerie group within Courtaulds Textiles. The group started with one JIT system in June which was followed by a second, more complicated scheme five months later.

The company expects to have the entire factory, which employs about 180 people, using JIT manufacturing by the end of next March and to introduce JIT at another three Stuart Broughton factories in the UK by the end of next year.

But senior management at Derby admit that introducing an entirely new production method into an industry used to very traditional work practices was no easy task.

The textiles industry has traditionally used a mostly female work force on piecework, which tends to foster independence.

"They would do their work but wouldn't dream of helping someone else," says Vera Ward, deputy chief executive. "It's a dog-eat-dog system, based on self-interest."

JIT, on the other hand, depends on teamwork and the smooth flow of work from one employee to the next.

The workers involved in the JIT system at Stuart Broughton have a maximum of two batches of garments to work on at a time. This means that there is only half a week's worth of work-in-progress compared with three-and-a-half weeks in the traditional system. Each individual JIT worker also only works on three garments at a time.

By restricting the work load of the group and of each individual, work is not allowed to build up at any one point in the process.

This is in sharp contrast to the traditional system by which work progresses at the individual worker's rate at each stage of the process, creating frequent bottlenecks.

If one worker on the JIT system falls badly behind, the whole team could be out of work very quickly. Hence it is in the interests of each worker to ensure that all group problems, and not just their own, are dealt with promptly.

"They've started to do a lot more for themselves," says Linda Clark, production manager.

Signs of the change of culture at Stuart Broughton are also evident in an electronic scoreboard showing the day's production target and the level achieved. Green plastic signs reminding workers that "It pays to get it right first time", provide an additional impetus.

Doug Seymour, chief executive, and his team suspect that JIT has not worked for some of their competitors and he identifies a number of steps taken before the introduction of JIT at Stuart Broughton which were crucial to its success.

**Management found to their surprise that 'the girls don't hang up their brains on the coat rack when they come in here'**

Training of staff in teamwork was particularly important. If JIT was to work, workers who had been used to working alone would have to be trained to help each other.

Senior managers recognised, however, that if they were going to ask their staff to change, they would have to be capable of change themselves, says Ward.

To achieve this, 11 senior managers were sent on a six-day course. "It was the education that we have gone through ourselves that was critical in changing our views about how to do things," says Seymour.

Equally important was the introduction more than three years ago of Total Quality Management, a method of managing quality throughout the production process.

Tony Knivton was recruited as quality executive to introduce TQM. As part of that exercise, a customer-supplier relationship – in which divisions assessed each other's performance – was introduced. Costs were reduced substantially - by £500,000 in the first year.

These changes went hand-in-hand with the switch from piecework to single status weekly pay, something the workers had wanted. A single canteen was introduced, workers were encouraged to voice their opinions and, according to Ward, management found to their surprise that "the girls don't hang up their brains on the coat rack when they come into work".

The introduction of a production support system which provides information on everything from stocks to work-in-progress, down to the size, colour and length of a particular garment, was also crucial to JIT's success.

Stuart Broughton is currently working to bring its suppliers into partnership, since JIT depends on reliable delivery of stocks.

So far, the advantages of JIT have clearly outweighed any disadvantages.

Absenteeism, which is at about 11 per cent at Stuart Broughton overall, has been virtually non-existent at the Derby factory while a reject level of 1.25-1.5 per cent on the conventional system has been reduced almost to nil.

To foster the necessary changes in attitude needed to see JIT through, management has put together a slide presentation, called the "Mission" which is shown to each employee.

The guiding principles of the "Mission" say, among other things, that "Our mission is to continually improve the products and services needed to meet our customer's requirements" and "Employee involvement is our way of life."

"JIT can't be just a way of cutting costs," says Ward. "It has to be part of a corporate philosophy."

The message comes down from on high at the Derby factory

**Andrew Baxter** explains why a lean approach to production could make manufacturers vulnerable

# Breaking barriers between 'us and them'

"IF WE were ever to have a dispute, Ford would be shut down in a couple of days and Rover a day after that. That's the legacy of Just-in-Time (JIT) manufacturing," said the head of a medium-sized Midlands components supplier recently.

The executive was articulating a fear that has stuck in the back of many managers' minds over the past five years as JIT – the elimination, or near-elimination, of stock and work-in-progress at all stages of the manufacturing process – has been introduced into British industry.

JIT, they say, requires a quiet industrial relations scene to function smoothly, as manufacturers are more vulnerable in the event of stoppages – because of an industrial dispute, a machine breakdown or problem at a supplier.

The recent strike at one of Renault's main component plants in France illustrated the dangers. Nevertheless, the evidence suggests that worries about a resurgence of industrial relations problems – in the wake perhaps, of a Labour election victory next year – are not a big concern for UK manufacturers that have introduced JIT.

That is despite the fact that many British companies have cut their stocks to the bone and encouraged their suppliers – and their suppliers' suppliers – to do the same. Nor is there any sign that that companies are modifying their JIT programmes significantly to anticipate possible labour troubles.

"You can't build a contingency into JIT to allow for industrial action, as you then lose or weaken the whole point of the programme," a manufacturing chief in the British motor industry says.

Don Ralston of manufacturing consultant World Class International says manufacturers are highly unlikely to carry "x millions of inventory" just in case there is an industrial dispute at a supplier at some time in the future.

The attitude of manufacturers might at first glance smack of complacency but there is a strong case for the relaxed approach.

First, few would contest that labour relations in UK manufacturing have changed for the better over the past decade, and so it is not surprising that industrial problems appear to be a low priority when companies consider the introduction of a change such as JIT.

A recent study* of Sheffield manufacturers found that labour force issues ranked well below factors such as increased output and productivity, improved product quality, cost savings and maintained market share when companies adopted new technology.

"It is possible that the limited interest in labour force issues may reflect current attitudes, which assume that workforce problems may be more readily resolved than in the past," according to Sheffield University's Paul Foley, Doug Watts and Brenda Wilson.

Another reason, perhaps, may be that direct labour accounts for only about 10 per cent of manufacturing industry's costs, on average, compared with as much as 60 per cent for materials.

Foley says the findings suggest that better-managed companies which recognised the need for JIT would have realised the importance of consultation with the workforce ahead of its introduction.

It is precisely because JIT involves so much more than stock control that partnership between workers and management, and between manufactureres and their suppliers, becomes necessary for its success.

This is the kind of "soft issue", involving cultural change as opposed to the more practical implications of reorganising manufacturing, that has often been ignored in the past, says David Hall of David Hall Partnership, a south Yorkshire-based consultant.

"For workers," says Ralston, "work-in-progress equals goodness. The more they see, the more they know they are not going to be out of a job. JIT gets them worried when they see work going down, so you have to explain why it is being introduced".

The result is that JIT may require good industrial relations, but it can also stimulate them.

Consultation and partnership reduces "us and them" attitudes on the shop floor, says Ralston, partly because of the changes in manufacturing practice that it implies.

Cell manufacturing is a classic example of such a change. The main aim of bringing together all the machinery to manufacture an entire product, or a major part, in one area of the shop floor may be to reduce the distance travelled by the part, and hence cut work-in-progress and lead-times.

But the teamwork necessary for a small cell of around a dozen employees and machine tools to function leads to multi-skilling, a distinct advantage for an employee if – despite JIT – he or she is unfortunate enough to be made redundant. That, says Ralston, is one reason why trade unions quite like JIT.

There are, though, some precautions which can be taken by companies worried about their vulnerability to stoppages, without diluting the effect of their JIT programme. A small buffer supply of stock, kept separate from the JIT process, can be used to resolve the problem in the event of a supply difficulty or machine breakdown.

If a problem at a supplier can be predicted, companies can look for a second source if they do not have one already. But manufacturers should also look at the industrial relations record of their suppliers, and whether they are introducing JIT in consultation with their workforces.

"If they are not, you probably don't want them as a supplier," says Ralston.

Tom Mullen, lecturer in operations management at Strathclyde Business School, points out that Japanese companies had to sort out industrial relations problems before introducing JIT, which exposes inefficiencies previously offset by the cushion of inventories.

In the UK, the real issue for JIT is the challenge of getting production and manufacturing more efficient, he says.

**Skills shortages and training – a Forgotten Dimension in New Technology Adoption. Departments of Town and Regional Planning, and Geography, University of Sheffield, Sheffield, S10 2TN.*

# ANNOUNCEMENT

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**THE M&G NEW £6,000 PEP**

Two superb performances and a writer: Juliet Stevenson, Nigel Hawthorne and Billy Roche

# Dramatic finale to 1991

In the end this has not been a bad year for theatre in Britain, and the last few weeks have included some of the best productions of the lot. There has been no set pattern, but it is possible to pick out a number of trends.

●Some of the smaller productions of smaller plays in smaller theatres have been among the most successful.

●The best of the new plays have little in common with each other: there is no new wave.

●There seems to be a growing openness to foreign works.

●London's West End is still alive and there have been several notable revivals.

●The big subsidised theatres, especially the National, are going through an uncertain period: standards of acting and staging are frequently higher than the quality of the play performed.

Some of those points inevitably overlap. The best new plays I saw this year were *Belfry* by Billy Roche at the Bush, *The Bright and Bold Design* by Peter Whelan at the The Pit in the Barbican, and *Death and the Maiden* by Ariel Dorfman at the Royal Court. All three have the capacity to surprise and to keep an audience hooked throughout.

*Belfry* is the final piece in Roche's trilogy about life in the Irish town of Wexford. The Bush is a pub theatre in an unfashionable part of west London: it was ideal for this play. A sacristan relates a love affair which, dotting about in time, is re-enacted on stage. It is as simple as that: pathos and comedy in equal measure. The next questions are whether it can play on a larger stage and where Roche will go from here. As a playwright, he is now in *the first division*.

So is Whelan, whose *Bright and Bold Design* is set in the Potteries in 1935, again specialised and local, but with a political theme. One admired the detail of the girls painting the plates in a wonderful set designed by Kit Surrey; there was also a sense of a wider world and a huge character in Jim Rhys, a revolutionary designer and radical socialist. Played by Clive Russell, this was one of the performances of the year. The Pit is the Barbican's small theatre, here used at its best.

*Death and the Maiden* is about the travails and tortures in Pinochet's Chile and the aftermath of a return to limited democracy, but is not a local play. Although the background is thoroughly authentic, it could be anywhere which has experienced dictatorship. The central question is what to do about the awful past when the future looks brighter. Dorfman scores by suggesting that there is considerable doubt about the answer. He has a masterly use of ambiguity and suspense: it is not absolutely certain until almost the end that the civilised-looking doctor *was* guilty of torture.

The Royal Court is bigger than The Pit, but by no means large. For *Death and the Maiden* it was packed out, not a ticket to be had in the final weeks. Probably it could, certainly it should, make it to a bigger place. The performance by Juliet Stevenson as the tortured girl was outstanding; so was the entire production, directed by Lindsay Posner.

Chile leads on to other foreign parts. The dramatist who received an unexpected tribute this year was Ibsen, though it seems to have been more by coincidence than design. Four Ibsen plays appeared within a few weeks of each other. The best known of them was the Abbey Theatre Dublin's production of *Hedda Gabler* at the Playhouse where Fiona Shaw played Hedda. I found her as electrifying as did *my colleague, Claire Armitstead, when she* reviewed Ms Shaw playing Electra at the Riverside Studios.

The revelation, however, was the lesser known works. There was the towering production of *Brand* at the Aldwych with Roy Marsden in the main part. It is not an easy play. Brand, the priest who seeks perfection, is in many ways an unattractive figure, but if you wanted an epic this was it. One of the reasons for its power was the verse translation by Robert David Macdonald. It made the piece more varied than one had previously suspected.

Then there was Ibsen's *The Pretenders* at The Pit and *Little Eyolf* at the small Orange Tree Theatre in Richmond, Surrey. *The Pretenders* is an historical piece about the birth of Norwegian nationalism, more appreciated at home than abroad, but in the context of an Ibsen revival, it illustrated the great spread of the Ibsen canon. The part of Bishop Nicholas, played at The Pit by Alan MacNaughtan, would be cherished by any actor.

*Little Eyolf*, despite its macabre moments, showed that Ibsen is not all Nordic gloom: it has almost a happy ending. I was sad when there was no more Ibsen to come. Perhaps next year?

He *was not* the *only foreigner* to be honoured. The Gate, a pub theatre in London's Notting Hill which specialises in dramatic staging, had its Spanish season and we are now learning that there was a flowering of theatre in late 16th and early 17th century Spain comparable to that in England. For some reason that seems to be suppressed in English history teaching. What is impressive is the number of translators coming forward, and how lively they are.

On the bigger stages there were two productions of Molière's *The Miser*, one at the National Theatre, the other at the Royal Exchange, Manchester. That may not be remarkable in itself; the striking fact was how different they were – different translations, different styles. The production at Manchester which I preferred, with Tom Courtenay as the miser, was essentially a comedy. At the National it was a much more vicious affair with some quite gratuitous violence. Yet it is a tribute to Molière that British directors now realise how many sides he had. Molière in English no longer sounds like a translation from French.

The West End had its successes mainly in terms of revivals. I liked *Waiting for Godot* at the Queen's where the two tramps were played by the comedians, Rik Mayall and Adrian Edmondson. No pretentious pauses there; not much cosmic significance either, but simply two actors baiting the audience – and each other – with wonderful lines. This was a production about acting and the stage. The young, in particular, flocked to see it.

The revival of Anouilh's *Becket*, which is still running at the Haymarket, is full of French polish and English camp. The acting is among the best you will find: Robert Lindsay as the king and Derek Jacobi as Becket. In fact, they could just as easily *swap roles and maybe one day should do* so. The only pity is that there is not a modern English work for them to play in.

That brings us in more detail to the Royal Shakespeare Company and the National Theatre. The RSC has perhaps the easier time because of its heavy reliance on Shakespeare. Some of its productions at the Barbican this year have been pure joy: notably the comedies, *Love's Labour's Lost*, *Much Ado About Nothing* and *The Comedy of Errors*.

At Stratford you need to see both parts of *Henry IV* before realising its full splendour. In *Part II* it becomes a play about Henry IV rather than Falstaff and the rise of Prince Hal. The performance of Julian Glover as the king is magnificent, but so is the picture of England as a whole. This is a national theatre at its best. It is a great feat that in its smaller houses the company can also manage pieces like *The Bright and Bold Design*, even if it sometimes seems to be groping for other new plays.

As for the National Theatre proper, by contrast, the identity this year has been unclear. It has done a number of 20th century European plays with varying success: the dramatisation of Kafka's *The Trial* was the weakest, Dürrenmatt's *The Visit* the strongest. Where it has begun to look vulnerable is that its resources of acting and staging are frequently superior to the plays it puts on.

This has been true of the two main productions of new English plays this year. David Hare's *Murmuring Judges* was riveting to look at: remember the replica of Covent Garden. Yet the text lacked depth. Alan Bennett's *The Madness of George III* contains the best male acting performance of the year in Nigel Hawthorne's king: the man who says "Yes, Prime Minister" on television can here say "No, Prime Minister". There is also a lot to be said for his wife as played by Janet Dale. Look closely at the rest of the parts, however, and you may decide that they are remarkably thin. The trappings are there, but the substance is lacking.

That is, of course, a common British failing: it is new for it to extend to the theatre. Both *Timon of Athens* with David Suchet as Timon at the Young Vic and Dryden's *All for Love* with Diana Rigg as Cleopatra at the Almeida struck me as better than anything I saw at the National, and both were done on meagre resources. One hopes that the National, with all its surface splendour, is not becoming part of the national symbolism.

**Malcolm Rutherford**

ARCHITECTURE IN 1991

# Some gems amidst the gloom

The year 1991 is not one that many architects are going to remember with much fondness. The office workloads tumbled – in the first month of 1991 even students were affected by the recession. One in four architectural students were unemployed, and even the highly successful Sir Norman Foster cut back his office staff. The prospect of some £40 billion pounds worth of work repairing the war damage in Kuwait did little to restore morale to a beleaguered profession.

In the City the office boom slowed down as more and more post-modern blocks were completed and remained empty. Some of them looked quite handsome, like Kohn Pedersen Fox's rebuilding of the Daily Telegraph in Fleet Street and the strange Gaudi inspired creation near the tower of London. Other new blocks in the capital repeated tired formulas adding only a few more acres of shiny granite from Brazil to the streets of London.

But 1991 did see the opening of several good buildings. This year's winner of the *Financial Times* Architecture at Work Award – the headquarters of RMC International at Egham in Surrey designed by Edward Cullinan – marked something of a watershed in the design of offices. Cullinan had managed not just to build an intriguing complex, but allied it successfully with the most imaginative roof garden. To some people this series of lakeside pavilions had almost the qualities of *Alice through the Looking Glass*, the architect's strange and imaginative use of scale and his application of an almost poetic sense to a magic garden is in the finest English literary/ architectural tradition.

The opening of Stansted Airport designed by Sir Norman Foster offered public poetry of another kind. The siting and the lighting of this remarkably beautiful building represented a real and rare triumph of taste and excellence. Sir Norman's other triumphs were on a smaller scale but nonetheless successful. The Sackler Galleries at the Royal Academy in London and the crescent shaped extension to the Sainsbury Centre in Norwich are two very positive additions to the nation's stock of art galleries. At the R.A. Foster succeeded in inserting galleries at a high level and linking them beautifully to the ground floor of Burlington House by a glass lift and a glass staircase.

In the Sainsbury Centre at the University of East Anglia Foster's additional curved, almost underground, space makes an elegant place even more so. The Sainsbury family added a substantial new building to London's National Gallery which The Queen opened in July. The design by American architects Robert Venturi and Denise Scott Brown won friends as soon as it opened. The new galleries for the Renaissance collection are much admired and praised by many as the finest new galleries in Europe. It is undoubtedly true that the National Gallery's early pictures have never looked better; only some strange architectural critics seemed to find the new wing puzzling.

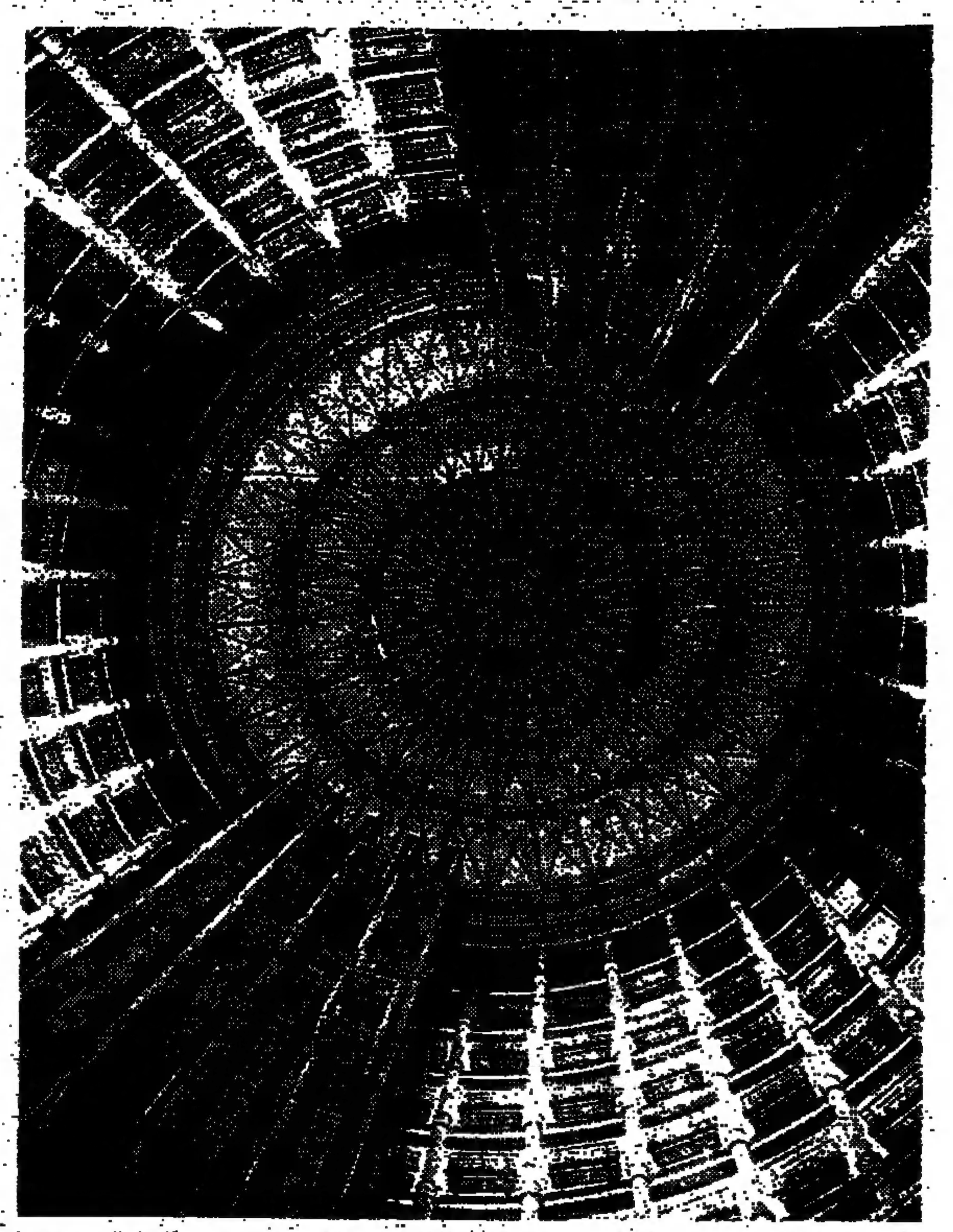
The architect of the year was undoubtedly Michael Hopkins. He opened a fine new shop for David Mellor in Docklands at Butler's Wharf. The timing was not too good as no one wanted to buy any flats, let alone new silverware. Hopkins went on to win commissions to design the new Parliamentary Buildings and the much needed new underground station at Tottenham Court Road. He prepared his plans for the new opera house at Glyndebourne and was commissioned to design a striking new office building by Lynton plc (the property arm of British Airports Authority plc) with a circular atrium, to be known as Marylebone Gate. Hopkins also completed the transformation of the listed Bracken House by St Paul's cathedral for the Obayashi Corporation of Japan. At Bracken House Hopkins has shown that it is possible to design a completely modern building within the confines of two listed facades and show that one can learn from the other.

Another scheme by St Paul's cathedral, the Paternoster Square development, was launched during the year and illustrates how difficult it is to design something that can respect the past and yet house large scale modern businesses. The City Corporation decided that Paternoster Square was too intensively developed, which has given the triumvirate of American, Japanese and British developers something of a headache to contend with in 1992.

The Prince of Wales maintained his quiet interest in the nation's architectural future by unveiling his own Duchy's plans for Poundbury new town at Dorchester. During his visits to his own Summer School in Oxford and Italy, he made it clear that education was the key to architectural progress. He seemed to be keeping his powder dry for the imminent launch of his own permanent Prince of Wales Architectural Institute in 1992.

Mr Major's government has not yet shown itself to be especially interested in architectural matters although the Secretary of State for the Environment, Mr Michael Heseltine, on his second run at the job, appealed for ideas for the inner cities, and for the growth of the capital to the East, away from the more prosperous Tory constituencies. Will his "City Challenge" schemes prove to be the Christmas present that so many hard pressed local authorities have been looking forward to? Will there be more work for architects in 1992? That is almost the only question that matters as the year begins. Survival is more important than any battle of the styles.

**Colin Amery**



Architect of the year Michael Hopkins: his new office design for Lynton plc, Marylebone Gate, showing the circular atrium

FT Award winner: the headquarters of RMC International at Egham designed by Edward Cullinan

INTERNATIONAL

# ARTS GUIDE

TODAY'S EVENTS

## ■ AMSTERDAM

**Muziektheater** The Dutch National Ballet can be seen in Rudi van Dantzig's production of Romeo and Juliet tonight at 20.15, also on New Year's Day at 12.30, Thurs and Fri (6255 455/credit card bookings 6211 211)

## ■ ANTWERP

**De Vlaamse Opera** Robert Carsen's new production of Tosca, conducted by Silvio Varviso, can be seen on Thurs and Sat at 20.00. The title role is sung by Karen Huffstodt, Cavaradossi by Fabio Armiliato and Scarpia by Falk Struckmann (233 6685)

## ■ BERLIN

**Staatsoper unter den Linden** Tonight at 19.30 and tomorrow at 21.00, Daniel Barenboim conducts the orchestra and chorus of the Staatsoper in Beethoven's Choral Symphony, with soloists Lucia Popp, Ute Priew, Peter Seiffert and Rene Papp (East Berlin 2004 762)
**Komische Oper** Harry Kupfer's production of The Bartered Bride can be seen tonight, followed by Tom Schilling's production of Cinderella tomorrow. On New Year's Day, there is a Johann Strauss concert at 18.00. On Fri, Wolfgang Rennert conducts Die schweigsame Frau (East Berlin 2292 555)
**Deutsche Oper** Tonight's performance is Lortzing's comic opera Zar und Zimmermann, also Sat. Tomorrow and Thurs: Valery Panov's production of Cinderella. New Year's Day: Die Zauberflote. Fri: Charles Dutoit conducts a concert performance of La Damnation de Faust, with Julia Varady, Vinson Cole, Dietrich Fischer-Dieskau and Gilles Cachemaille. Sun: Turandot (West Berlin 3410 249)
**Schauspielhaus** Tonight at 19.00 Claudio Abbado conducts the Berlin Philharmonic Orchestra and RIAS Chamber Choir in an all-Beethoven programme, with Yevgeny Kissin piano soloist and the soprano Cheryl Studer, repeated tomorrow at 17.30. On New Year's Day at 18.00, Claus Peter Flor conducts the Berlin Symphony Orchestra in Bruckner's Seventh Symphony, repeated on Fri, Sat and Sun at 20.00 (East Berlin 2272 261)
**SFB Grosser Sendesaal** Tonight at 19.30, Moshe Atzmon conducts the Berlin Radio Symphony Orchestra and Chorus in Beethoven's Choral Symphony (West Berlin 3027 242)

## ■ GENOA

**Teatro Carlo Felice** On Thursday and Friday, Mstislav Rostropovich conducts Sofia Gubaidulina's two-part oratorio-opera-ballet Orazione per l'Era di Acquario. (589329)

## ■ LONDON

**Covent Garden** 19.30 Peter Wright's Royal Ballet production of The Nutcracker, also Wed, Fri and Sat. Tomorrow and Thurs: Le nozze di Figaro (071-240 1066)
**Royal Festival Hall** 14.30 and 19.30 English National Ballet in Ben Stevenson's new production of The Nutcracker. Daily except Sun till Jan 18 (071-928 8800)
**Sadler's Wells** 14.30 and 19.30 London City Ballet production of Swan Lake, also tomorrow evening. Jan 2-4: Ben Stevenson's new production of Prokofiev's Swan Lake (071-278 8916)
**Barbican** 19.45 Lorraine McAslan plays Bruch's Violin Concerto with the RPO. Tomorrow, Wed and Thurs at 19.45, also New Year's Day at 15.00: John Georgiadis conducts the LSO in Strauss favourites (071-638 8891)
**Coliseum** English National Opera performances of Die Fledermaus can be seen tomorrow and Fri, with Rimsky-Korsakov's Christmas Eve on Thurs and Sat (071-836 3161)
● For information about West End theatre shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

## ■ MILAN

**Teatro alla Scala** The only two performances this week are of John Cranko's production of Romeo and Juliet, tomorrow and Thurs. (7200 3744)

## ■ MUNICH

**Staatsoper** Pinchas Steinberg conducts Die Fledermaus tomorrow, Thurs and Sat, with a cast including Trudeliese Schmidt, Siegfried Jerusalem and Wolfgang Brendel. On New Year's Day, there is a performance of Ludwig Minkus' ballet Don Quichotte. On Sun, Wolfgang Sawallisch conducts Die Meistersinger von Nürnberg, with Manfred Schenk as Sachs and Lucia Popp as Eva (221316)

## ■ NEW YORK

THEATRE

● Boesman and Lena: Athol Fugard's play about three South Americans trapped in a struggle for freedom from indignity and servitude. Directed by Fugard himself. Runs till Jan 26 (City Center Stage 1, 131 West 55th St, 645 0905)
● Galileo: Harris Berlinsky plays the title role in a revival of Brecht's play directed by Eve Adamson. Runs till Feb 14, alternating with a revival of Geneva, G B Shaw's 1938 play about an imaginary League of Nations (Bouwerie Lane Theater, 330 Bowery, 677 0060)
● Catskills on Broadway: a comedy revue conceived by Freddie Roman and featuring a cast of stand-up comics. Varied schedule, so phone first (Lunt-Fontanne Theater, 205 West 46th St, 307 4100)
● What about Luv?: Austin Pendleton, Judy Kaye and David Green in a three-character musical version of Luv, Murray Schisgal's 1964 satire of love and human relationships. Runs till Jan 19, varied schedule (York Theater, 2 East 90th St, 534 5366)

MUSIC

**Blue Note Jazz Club and Restaurant**New Year's Eve double bill: Manhattan Transfer and the Monty Alexander Trio. Manhattan Transfer continue till Jan 5, with shows at 21.00 and 23.30. On Jan 7, Dizzie Gillespie begins a four-week engagement to celebrate his diamond jubilee at the Blue Note (475 8592)
**Avery Fisher Hall** Leonard Slatkin conducts a New Year's Eve concert of French and Viennese works with the New York Philharmonic, with Emmanuel Ax and Jeffrey Siegel soloists in Saint-Saens' Carnival of the Animals. The programme begins at 20.00 (875 5030)
**Metropolitan Opera** Tonight and Sat afternoon, James Levine conducts Colin Graham's production of The Ghosts of Versailles, new opera by John Corigliano. The cast includes Teresa Stratas and Marilyn Horne. Tomorrow and Fri: La traviata with Marilyn Mims and Jerry Hadley. New Year's Day: La boheme. Thurs: Aida (362 6000)
**New York State Theater** Final performances this season of The Nutcracker: tomorrow at 14.00 and 19.00, Thurs at 18.00, Fri at 20.00, plus matinee and evening performances on Sat and Sun (870 5570)

## ■ PARIS

**Palais Garnier** There is a final performance tomorrow at 19.30 of Rudolf Nureyev's production of Romeo and Juliet. The next ballet production is by Roland Petit's Marseille Ballet, opening on Jan 22 (4017 3535)
**Théâtre des Champs-Elysees** Tonight at 19.30, Jean-Claude Malgoire conducts Jean-Louis Martinoty's production of Lully's Alceste, with a cast including Jean-Philippe Lafont, Colette Alliot-Lugaz, Howard Crook and Gregory Reinhart. Repeated on Thurs and Sat. Fri: Samuel Ramey sings bass arias (4720 3637)
**Châtelet** There are performances of West Side Story each evening this week (except tonight) at 20.30, plus matinees on Wed, Sat and Sun (4028 2840)

## ■ STRASBOURG

**Palais de la Musique** Nicolai Gedda and Edda Moser are the guests in a New Year's Eve concert of Viennese operatta music, with the Strasbourg Philharmonic Orchestra (8837 6777)

## ■ VIENNA

Carlos Kleiber is conducting the Vienna Philharmonic Orchestra in the 1992 New Year's Day concert at the Musikverein (previews today at 10.00 and tomorrow at 19.30, all sold out). There are New Year's Eve and New Year's Day performances of Die Fledermaus at both the Staatsoper and the Volksoper. The Staatsoper also has The Nutcracker on Thurs, Die Fledermaus again on Fri, La traviata with Cheryl Studer on Sat and Die Meistersinger von Nürnberg on Sun (51444 2960)

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0600-0620 Business View
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2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - *International issues*

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0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

*Super Channel*
1800-1830 FT Business Weekly

*Sky News*
1330, 1630, 2030, 0030, 0230 FT Business Weekly

*CNN*
1800-1830 World Business This Week

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Monday December 30 1991

# Bush takes to the road

THE PUBLIC accoutrements of the Japanese centrepiece of President Bush's Asian tour could be better. It would be preferable if he were going ostensibly to discuss vital issues of Asian security, or world trade, or the parlous global economy or many of the other issues in which Japan either already plays a significant role or needs to be induced into playing a larger one. He may yet discuss all these and more but he has chosen, for domestic political purposes, to surround himself with a delegation of US manufacturing executives, weighted towards the car industry and selected by the secretary of commerce who, it so happens, is about to be seconded to run the presidential re-election campaign. This is a pity.

Mr Bush's logic is, of course, understandable. He enters his re-election year curiously vulnerable. The public perceives he is not interested in solving domestic problems at a time when the US economy remains in a mess; Congress is making protectionist noises; General Motors, the industrial flagship, has announced cuts in its work force by nearly a fifth; his popularity has fallen to the point that some polls even show that any Democrat could beat him.

## No challenge

The same polls still show that no named Democrat would. The most prominent of those who might have, Governor Mario Cuomo of New York, has decided not to launch a challenge, but there is a pack of young, hungry politicians who reckon George Bush can be knocked off. They all console themselves with the knowledge that at this stage 16 years ago an obscure southern governor named Carter was registering only the slightest blip on public recognition. And if the current group of six aspirants needed any hints, then Mr Cuomo provided them with several last week by blasting the president for not taking a delegation of American workers with him to Tokyo.

It is, of course, ill-advised for any head of a democratic government to ignore a domestic constituency, above all in the prelude to an election. It is also too easy for those not in the US to advise the leader of the remaining superpower to devote exclusive attention to the great international issues of the moment and to draw up a specific agenda for him. Thus one may wonder and regret, but still only wonder and regret, that Mr Bush would be better off negotiating the future disposition of nuclear missiles with Mr Boris Yeltsin, plus or minus other members of the new commonwealth of former soviet republics, or perhaps knocking heads, in order to save the Gatt, with relevant political leaders in Europe and farmers at home. But it is easier for us on the outside so to indulge than it is for the US president.

## Domestic problems

His Asian tour is one postponed by six weeks. He put it off for domestic political reasons and he has resumed it for the same reasons, but it still can have point. There is a new prime minister in Australia worthy of cultivation (the staunchness of Mr Bob Hawke, Mr Bush will recall, was a real sustenance in the Gulf war); the Korean peninsula may be on the cusp of some momentous decisions which must involve the US; and Japan remains the most important bilateral national relationship in the US firmament, also with a new head of government, Mr Kiichi Miyazawa, whose first weeks have been politically inauspicious. Throughout Asia, a travelling American president is a visitor who matters more than any other.

On the other hand, a president only beating the drum of US special interests could be on a hiding to nothing, whatever the outcome. If he extracts specific bilateral concessions from the Japanese (for example on the super collider project) or from the Koreans it may well be at the expense of one of his few known commitments – to free trade. If he fails so to do, then he will have American executives on his neck as well as the labour movement. This suggests he would be better off taking the high diplomatic and strategic road. If it has no other benefit, then Mr Miyazawa, who could do with more support and fewer threats from across the Pacific, would welcome such an approach.

# An honourable case for change

IT IS TIME to abolish the British honours system; or, if abolition seems too harsh a measure, at least to simplify it.

All recent British prime ministers have come to office promising not to abuse the system; nearly all have ended up by doing so. Mrs Margaret Thatcher, in her early premiership, never looked as if she would hand out the same kind of political honours as the now Lord Wilson. It was not long before she started. She also began to restore hereditary peerages, the creation of which had been thought to have been abolished by a previous Tory leader.

The honours list after Mr John Major's first full year in office will appear tomorrow. It may look immaculate, for Mr Major is even more of a self-made meritocrat than Mrs Thatcher. Yet these are early days: in the longer run the powers of patronage attached to the awarding of honours tend to corrupt the judgment.

The list will certainly look complicated to all but the most trained eye. What is the difference between an OBE, CBE and MBE, or a plain CMG and one with a K in front and a host of other orders? Why does Mr X's award differ from that of Ms Y, who is apparently of the same merit, while Mr Z, of equal distinction, does not appear at all? That is the beginning of the case for simplification. To put it mildly, the system is arbitrary and not transparent.

## Triage system

It might be defensible to reduce the honours list to three categories: a lower, a middle and a top. The lower might go (say) to a long-serving village school-mistress, the middle to people of proven distinction in public or private life, the top to a very few people who might almost literally be regarded as peerless, rather like the present Companion of Honour. The aims would be to keep down the numbers, root out political awards and to make sure that honour went where it was deserved.

One more change would be necessary even in this modest proposal. The creation of handles would have to go. The man who received the new middle order award would carry letters after his name rather than a "Sir" before. Receivers of the top awards would not be called Lords and Ladies. That change alone would remove a great deal of social snobbery (quite apart from plain confusion) in this country and put Britain on a par with France and Germany where there are no new dukes or barons.

## No guarantee

Such a reform would be an improvement; abolition would be better. For there could no guarantee that even a reformed system would be immune to abuse. It would remain open to question, certainly in the civil service, whether hope of an honour is an incentive to original thought – it may be, instead, a recipe for orthodoxy. The private sector should need no such incentives.

Abolition would also prepare the way for other changes. The Labour party, for instance, is proposing to get rid of the existing House of Lords and to replace it with an elected second chamber. This is an item which the political agenda seems, increasingly, ready to accommodate, but it is not one to which Britain has given much thought. Whether the country favours more elections, as Labour is suggesting, is a moot point.

But the status quo, a second chamber composed of a mixture of hereditary and life peers, has even less to recommend it. The Duke of Norfolk, Britain's premier catholic peer, has recently argued the hereditary lords should not be there as of right; the case for handing the second chamber over to a group of inevitably elderly life peers who have come up through the honours system does not look much preferable. Possibly Britain should be seeking a reformed House of Commons and no second chamber at all.

Constitutional reform is not going to add percentage points to the British growth rate; nor is it the most important issue in the country. Yet as Britons ponder tomorrow's list, they ought to be asking themselves a deeper question than whether they will remember in future to call Mr So and So, Lord Someone of Somewhere.

**Economic performance of the former Soviet Union**

| Percentage change unless otherwise stated | 1988 | 1989 | 1990 | 1991 (FORECASTS) | 1992 (FORECASTS) |
|---|---|---|---|---|---|
| GDP | 1.5 | – | –3.0 | –12.0 | –10.0 |
| Net material product | 4.4 | 2.4 | –4.0 | –15.0 | –12.0 |
| Gross industrial output | 4.4 | 2.4 | –1.2 | –8.0 | –6.0 |
| Gross agricultural output | 0.7 | 1.0 | –2.3 | –10.0 | –4.0 |
| Consumer prices | 3.0 | 5.0 | 8.0 | 150.0 | 300.0 |
| Trade balance with west ($bn) | –2.7 | –6.5 | –4.9 | –3.0 | –4.0 |
| Current account with west ($bn) | –1.5 | –4.5 | –5.0 | –5.0 | –6.0 |

Source: Economist Intelligence Unit

As Russia prepares to free prices, **John Lloyd** examines its benighted economy

# A cruel necessity

On Thursday, the government of Russia will administer a shock to the economic life of the country, and to all the other former states of the Soviet Union. It will set free most prices in an environment dominated by huge production and supply monopolies which have been impervious to all but cosmetic change.

Prices are certain to rise threefold or more, reducing to greater poverty millions of people who are already poor, and thus courting violent unrest in a disoriented society.

The measure – planned by ministers who believe they have at best a few months in government – is intended to liberalise a part of the economy in a single giant step towards true markets.

The banking and financial structure in which the liberalisation will take place is in chaos. The Soviet state bank (Gosbank) has been dissolved into the Russian Central Bank, which was yesterday reported by the Interfax news agency to have two days worth of rouble reserves left. The Vnesheconombank, the Foreign Economic Affairs Bank which functions as the state's hard currency treasury, is bankrupt and has suspended hard currency operations. The new commercial banks flourish, but without real criteria for lending, few reporting requirements and little hard currency.

The government has no formal written programme. The International Monetary Fund, which is working hard with the government on its reform and which broadly backs it, is uneasy about the lack of a document and cannot possibly approve the changes before they begin in three days time.

Commodities production in Russia has been plunging for a year; farmers are hoarding produce and the cities are beginning to feel beleaguered. A crowd stopped the traffic on St Petersburg's main thoroughfare, the Nevsky Prospect, on Friday in protest against being unable to buy sausage.

The free-market institutions which have been flourishing in the past two to three years have been the co-operatives supplying some services and small production; the commercial shops, where a restricted range of goods, including a few from the west, is available at prices much higher than in the starved state sector; and the commodity exchanges, where products are bought in bulk, also at high prices. Most people hate all these bodies and think – rightly – that they are diverting goods from the state sector.

There are tiny numbers of people trained to manage, to run and value competitive businesses, to construct computer networks, to revitalise bankrupt companies – even to serve in shops (the present vast sales force does very little, very rudely). Savings have been eaten away by inflation, and the unions are threatening to strike.

Mr Egor Gaidar, the deputy prime minister in charge of reform, and his colleagues have surveyed this scene and concluded that the situation is hopeless, but are determined to advance. Disbelieving state managers have been told that the government will set no ceilings for most prices. It will control (though it will raise, probably by about three times) the prices of bread; milk; vodka; baby products; oil and oil products; gas; communications and transport.

Late last week, the government rushed through a decree, to take force from Thursday with parliamentary approval, which will allow the privatisation of shops, small and medium-sized enterprises and a few sectors such as construction. Foreigners will be allowed to participate on equal terms with Russians. Foreigners will be encouraged, through unspecified incentives, to take over loss-making companies and partly-finished constructions. They will be able to buy into banks, insurance companies and trading houses with special government permission.

Public revenues, which have dropped sharply in the past year because of non-payment of taxes, are to be restored by a swingeing value added tax of 28 per cent. Enterprises will have to pay a profit tax of 32 per cent. This, coupled with the reduction of food and other subsidies, is aimed at balancing the budget in the first quarter.

After some initial indications that the hard currency regime would be lightened, the government has bowed to the imperative to service loans and import food and equipment by once more obliging exporters to sell hard currency to the government at an artificially low rate (Rs1.6 to the dollar). A further 10 per cent of hard currency income must be sold to the Russian Central Bank at market rates.

The pain caused by these measures is easy to see. For example, much of the economy is still geared to defence production. From January 1, orders to the defence industries will be cut, on one estimate, to 12 per cent of last year's level (itself down to 80 per cent of the previous year). These cuts mean desperation in the enterprises round Moscow. Defence production accounts for nearly 60 per cent of employment in the Moscow region, excluding the city itself, and in the Urals.

Defence factory directors, ominously, have been saying they will sell missiles, tanks and ammunition to absolutely anyone who can pay for them. On current plans, these plants will have to close. Their workforces will have nothing to do.

For the needy unemployed, there is a safety net. A minimum income which hovered around Rs220 last month (indexed to consumer prices) stops absolute want. A worker made redundant gets three months severance pay, after which his income sinks over a year to the minimum. Women with children also receive a minimum, and get milk and children's food free.

To put these incomes in perspective, free market meat, which is hard to come by in state shops, sells in Moscow for Rs50-70 a kilo. Bread can still be bought for less than R1 a loaf, and you can buy mainly rotten tomatoes for R3 a kilo.

In a country used to a settled, and narrow, band of official nominal income differentials, the thousands of roubles earned openly every month by co-operative and shop owners, exchange dealers and street traders is mortally offending. Sitting recently in a Moscow cafe, I saw two men scarcely out of their teens discussing currency fluctuations and ostentatiously counting a thick wad of 100-rouble notes as a circle of people stared at them through the window like Dickensian waifs.

The freeing of Russian prices is bound to lead to similar liberalisations in republics even less economically and politically prepared for such changes. If the other republics keep prices low, their shelves will be stripped bare by Russians pouring across the borders to do their shopping. Ukraine and Belorussia are attempting to protect themselves by printing coupons to substitute for roubles in pay packets. The move puts paid to a common rouble zone, but will do wonders for inflation.

Is there any hope this convulsive heave into the market can be other than devastating? None. The only issue under discussion is whether the economy can recover on a new basis. "All reforms," said Mr Gaidar on Saturday, "start with the freeing of prices. Unless prices come into line, nothing else can".

His and his colleagues follow a free-market credo honed in the past decade in debates with western neo-liberals, whose view of the world they have largely adopted. Now these men must put their views into practice in a country mired in the most comprehensive statism ever established. It is a jump across several ideologies or systems with no time for acclimatisation. If the society can stand it, and begin to deliver even a little of the required initiative, it will be an unparalleled achievement.

**Free Russian prices are bound to lead to liberalisations in republics even less prepared for such changes**

# War's many shades of grey

We drove for miles through dense, cold fog. It was difficult to keep up with the police escort. The two Croat officers speeding ahead knew these winding, narrow roads like the back of their hands. They also knew when to brake along those parts which had already been mined. Suddenly, the fog started to lift. We were high up on the hills.

"Until last week, Charlie (the Croat euphemism for Chetniks, or Serb nationalists) was hanging out, just over there in the woods," said Davor, my travelling companion.

As the sun broke through the low sky, the horror of war which has ravaged this part of central Croatia was revealed. Village after village had been destroyed. From Veliki Bastaki and Mali Bastaji, to Gornja Vrijeska and Miokevicevo, small cottages had been blasted by mortar. The neat farmyards were pitted by craters. There was no sign of life, save scores of pigs foraging near bombed-out barns, and geese waiting to be fed. A hungry sow chased after a big grey turkey.

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"There were about 30 of us. Croats and Serbs. We were hiding in the house, down the road," said Mrs Stoja Ivcic, a 73-year-old Serb.

Mrs Ivcic has lived in Miokevicevo all her life. "The fighting was terrible. It started at the end of August. I don't know how many have been killed. Many have gone into hiding. Many have become refugees. When the Croat army started trying to regain Miokevicevo a few weeks ago, the Serb soldiers came to my house and told me to go with them to the republic of Bosnia-Hercegovina. I refused to go. This is my home."

Mrs Ivcic said she did not think about celebrating the Orthodox Christmas in early January. "There is very little to celebrate. This war is the Lord's affair," she said.

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Nineteen ninety-two will not be rung in by the bells at the local Catholic church. It is now an empty shell.

"Charlie went to the parish priest's home, sometime back in October," said Mr Ante Tutic, a 58-year-old Croat farmer. "The priest was forced to give them the key to the church. The Chetniks then went into this house of God and placed dynamite all along the walls, in such a way that it would not destroy some of the neighbouring houses. Later, they blew the church up. Look at it. A skeleton. There'll be no Christmas mass in Miokevicevo this year."

**LETTER FROM**
**CROATIA**

Mr Tutic, who was often on the verge of tears, had been taken prisoner by the Yugoslav federal army last August. He was released under an exchange of prisoners organised by the European Community monitors. One of his sons had been wounded in the fighting; the other had married a Serb. He said the church had been built by the Germans more than a century ago.

About 1,200 people used to live in this small village through which the railway track runs.

Before the second world war, the population consisted of Croats, Hungarians, Germans, and a few Serbs. After 1945, when the Germans had been expelled from the region, the late President Tito resettled thousands of Serb partisans – or communists – in this part of Croatia, largely as a reward for their wartime activities. Until recently, a third of Miokevicevo was Croat, the rest was Serb.

When I visited, I found only three inhabitants. "There were never any difficulties with the Serbs," said Mr Tutic. "We got on all right. Everything was fine. But I don't know if we will get on in future."

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Mr Rudolf Kolar, a 37-year-old technician, has no idea how Serbs and Croats will live together in this village again. His house, built with his father, is now in ruins. There is a hole in the roof, and bullet-holes in the walls. The living room is destroyed, the windows broken. All the family's personal belongings have been pulled out of the wardrobes, cupboards and dressers. Nothing has been left untouched.

"I don't know why it all started. I think it was all planned," Mr Kolar said. "The Serbs became angry about the Croatian flag which was hoisted after the elections in April 1990. But it wasn't the local Serbs who started the fighting. The instructions came from Belgrade [the capital of Serbia]. The local Chetniks, backed by the federal army, came here on August 14. I got out as soon as I could."

Mr Kolar said some of the local Serbs were attacking and arresting the Croats. "On September 1, my dad was arrested. He was released 20 days later through an exchange of prisoners. Mama stayed here several weeks. I could not get her out because the whole village was bombarded by the Chetniks. My wife and two children managed to go to Graz, in Austria."

As he showed us around, Mr Kolar said he would not be returning to Miokevicevo for some time. His trailer was full of piglets. His car was stuffed with items he managed to retrieve from his house. "I will spend Christmas with my family, maybe in Graz."

But he said he would return some day. "This is my homeland. But it will be different in the future. Some Serbs will come back. Those who did not commit crimes need not be afraid about returning. But those who did commit crimes had better not come back."

"The point is that in a village like this, everybody knows everybody else. I know who committed crimes. Not all the Serbs were involved in the killing. Some were pressurised into fighting. Other Serbs ran away. But you cannot say what is black and what is white in this war. On all sides, there are many shades of grey."

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As we drove out of Miokevicevo back to Zagreb, the capital of Croatia, there was no sign of Charlie. A Croat patrolman stopped us. "Its safe for the moment," he said. "We are now in control."

But the Croatian soldiers have few people to defend in this part of western Slavonia. More than 500,000 refugees have sought safety in Zagreb, Hungary, or Austria. "The local inhabitants will come back eventually," the Croat officer said. "But the hatred between Serbs and Croats will not go away. I do not look forward to the New Year."

**Judy Dempsey**



*BOOK REVIEW*

# Hypocrisy on wheels

END OF THE ROAD
**By Wolfgang Zuckermann**
*Lutterworth Press £14.95*

The wheel, television, sliced bread: what other inventions can match the impact of the motor car on society?

When Henry Ford started mass-producing cars in 1908, he gave us the next best thing to wings. Journeys that took days now take as many hours, bringing immeasurable benefits to the economy and our personal lives. Our ancestors can only have dreamed of the freedom we enjoy to choose where we live, work and take our leisure.

Nor are the joys of car ownership confined to the functional. Psychologists vie with one another to explain the hidden pleasures of motoring. For men, we are told, the car is a symbol of power and virility; for women, it produces a sense of security in an inviolable space; for both, it delivers a satisfying feeling of direct personal control over events.

And so, we love our cars. Occasionally we speak to them harshly, but afterwards we are sorry. We clean them and care for them, adorn them with air fresheners and furry dice, and feel a tug at the heartstrings when we bid them a final farewell.

But has this love affair blinded us to the hopelessness of our obsession? Consider this glimpse of the future offered by a recent despatch from the FT's Bonn office:

"The explosive combination of newly-acquired west German leisure habits and inadequate roads caused a monumental 70km traffic jam on the Nuremberg-Berlin motorway at the weekend," the story opened.

"The extraordinary snarl-up over the former inter-German border between Bavaria and Thuringia left thousands of motorists at a virtual standstill for up to 18 hours. Police combing the lines of stationary cars had to wake up sleeping drivers when their turn came to move a few metres further."

Germany is not unique. Through much of the world, the rate of growth in car ownership is far outstripping society's ability to provide sufficient road space. The implication is that, sooner rather than later, we are going to face constraints on our freedom to drive – either through the sheer chaos of congestion, or through some more ordered method devised by society.

So far, the looming crisis has generated little literature for the lay reader. But this is changing. Earlier this year Ben Elton, a splenetic alternative comedian, ranted around the subject in his imbecilic novel Gridlock; now Wolfgang Zuckermann attempts a more reasoned analysis.

Mr Zuckermann works for the green-sounding EcoPlan International, a Paris-based environmental organisation, so his objectivity is immediately suspect. But he opens on a reassuring note. He is no wild-eyed radical or Luddite, he says: he owns a car himself.

Congestion is nothing new, we learn. The Romans suffered chariot jams. But the moment we come to the modern-day motor car, something seems to snap inside Mr Zuckermann. Suddenly, he is in full Ben Elton mode: barely pausing to nod at the car's virtues, he accuses it of destroying cities, the countryside, the atmosphere and people.

So strident does the tirade become that, instinctively, we sense Hitler looming. Sure enough, up he pops on page 16 as the inventor of the motorway. A few pages later, he is employing diesel engines to asphyxiate the death camp inmates in Treblinka.

Hysteria apart, Mr Zuckermann's mistake is in getting so carried away with his diatribe that he misses the point. Yes, cars are noisy, dangerous and polluting, but that is not a reason for limiting their use: it is a reason for demanding that they should be quieter, safer and cleaner.

What is to be done about congestion? The intractability of this problem suggests that some sort of restraint on car use is inevitable. Here, at least, Mr Zuckermann has a contribution to make with his list of 32 possible solutions to the car crisis.

Sense and nonsense jostle side by side in the list. In the latter category one would have to include the suggested ban on car advertising and the inclusion of hitch-hiking in an overall transport strategy. Conversely, the idea of charging people for their use of the roads makes sense. Doubtless we would over-indulge in sausages if they were free at the point of consumption. Why should road space be different?

In a fascinating coda to the book, we get a glimpse of the author's personal lifestyle when Mr Zuckermann describes how he commutes daily from his village in the south of France to the nearest town. He uses his car, he says, because there is no realistic alternative. Flipping back to his 32 suggestions, we suddenly become aware that few, if any, of them would have any impact whatsoever on his own driving habits.

That is the trouble with congestion: it is always the other blighter's fault. The world awaits the book in which a sales representative explains how he could dispense with his Ford Sierra and do the job just as well by using the train instead.

**Richard Tomkins**

*The reviewer has no car.*



Protocol at Maastricht blurs equal pension issue

# Twists and turns on the road to 1993

## Keeping the EC's single market programme on track next year will be a tough test, says **Andrew Hill**

Managing the European Community often seems to be a trial of politicians' ability to use the microscope and the telescope simultaneously. Nineteen ninety-two looks set to provide one of the fiercest tests of that ability since the Community was founded.

Under the microscope is the single market programme, the intricate web of measures which should enable EC citizens to travel, trade, shop and settle anywhere in the Community by New Year's Day, 1993.

Member states, the European Commission, consumer and industry groups agree that the goal is vital and that the EC has already come much further than anybody expected in June 1985, when Lord Cockfield, then internal market commissioner, published his white paper of 282 measures needed for the single market.

The decision at Maastricht earlier this month to set a deadline for the introduction of a single currency should have given the programme new impetus. But, meanwhile, through the field-glasses, a number of issues are looming closer – the break-up of the eastern bloc, enlargement of the EC, recession and its cousin, protectionism – any one of which could easily upset the delicate and detailed work of Brussels' single market strategists.

In addition, the strategists themselves are under pressure. Political compromise has taken its toll on the original programme and advocates of

**Under the microscope is the web of measures which should enable EC citizens to travel, trade, shop and settle anywhere in the Community by New Year's Day, 1993**

a strong, barrier-free Community are worried that, in fact, the internal market will be disfigured by omissions, hobbled by residual national barriers and suffocated by long transition periods for many years after the 1993 deadline. The possible enlargement of the Community is likely to share top priority on the Brussels agenda with the single market programme during 1992.

The member countries of the European Free Trade Association (Efta) are already gearing themselves up for EC membership and have committed themselves to take on a large chunk of single market legislation by agreeing in principle to the establishment of a European Economic Area (EEA) – a 19-nation free trade zone with the same start-date as the single market.

That agreement was itself hard to achieve – and the final signature is still blocked by the European Court, which objects to the accord's judicial aspects. But extending the west's political compromises on a free trade area eastwards will be even more difficult.

Many of the single market measures, especially those which propose opening public monopolies to more competition, are difficult enough to sell to the EC's existing members, which are used to the rigours of a fairly free market.

Even relatively well-developed east and central European countries, such as Hungary, Poland and Czechoslovakia – which have just signed far-reaching political and economic co-operation agreements with the Community – would baulk at the rapid introduction of open competition in some protected sectors.

Such protectionist concerns are not unique to central and eastern Europe. The agreements with Hungary, Poland and Czechoslovakia took time to create, partly because of some EC members' fears about cheap imports of food, steel and textiles from the east.

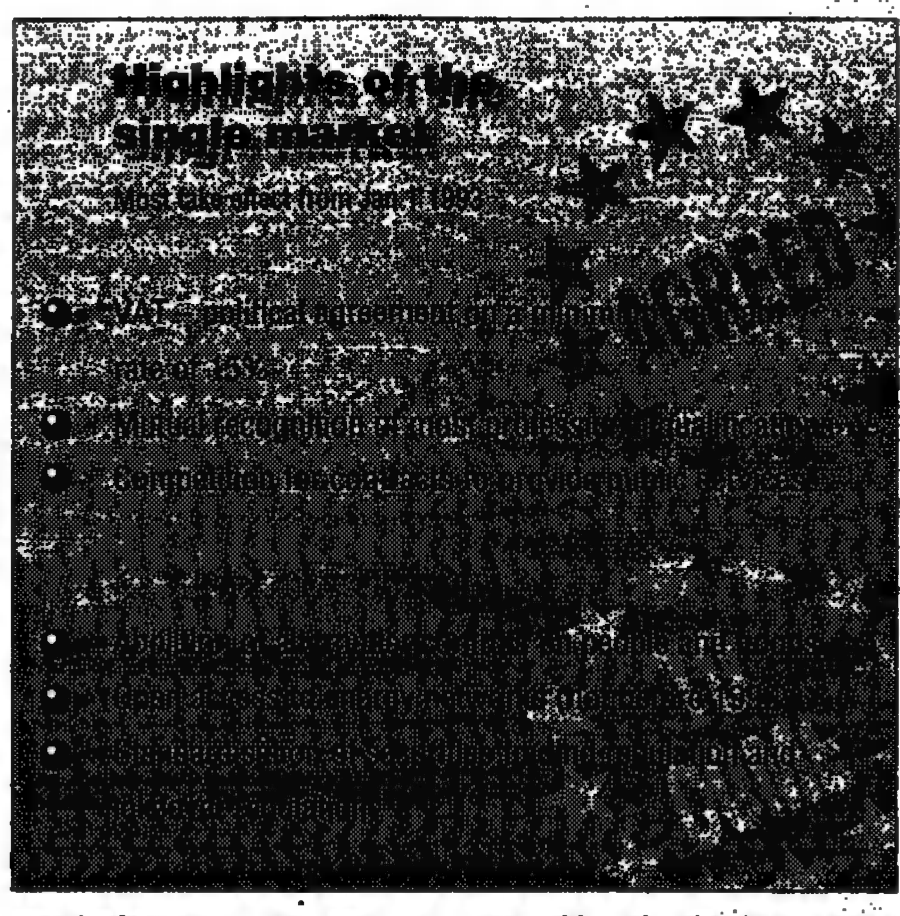
The internal market programme may promise completely free movement of goods, labour, capital and services within the Community, but for that to be achieved requires a strong external frontier. A firm and inflexible outer border could turn the EC into a Fortress Europe, with east and central Europeans locked outside, staring at the wealth within. That would suit some EC manufacturers but limit the consumer benefits of progressive free trade with the east.

At the same time, fear of competition within the EC – partly born of recession – risks hampering the original internal market programme. The plan by Mrs Edith Cresson, the French prime minister, to form a new French state conglomerate, incorporating nuclear, semiconductor and consumer electronics companies, would risk distorting the EC market.

The proposal may not survive the scrutiny of the Brussels competition authorities, under the guidance of Sir Leon Brittan, the competition commissioner, although this is likely to be one of the most politically charged issues of his term in office.

But the real question is what happens when Sir Leon, who has been a staunch proponent of a liberal competition policy, quits his post, which may be as early as the end of next year. If his successor is less forthright or determined then there is still the chance that state subsidies and other obstacles to the single market will start proliferating again.

Even as things stand, member states' reluctance to open some protected sectors such as energy threatens to overshadow their success in adopting most of the internal market legislation proposed six years ago.




Only about 50 of the original 282 measures still need to be agreed. About eight of those may be dropped altogether – either superseded by other legislation or otherwise declared unnecessary – and seven or eight are of such low priority that failure to agree will not greatly disrupt the internal market.

The Commission is not desperately worried about scoring 282 out of 282. "Whether we can get 100 per cent before the end of next year (1992) remains to be seen," says one senior official. "But it doesn't really matter because the essential elements will all be in place."

Other observers – for example, Mr Zygmunt Tyszkiewicz, secretary-general of Unice, the European employers' group – disagree. "If you go back to the basics, the idea of the single market was to create a situation in which European companies would be forced to compete much more with each other than before," says Mr Tyszkiewicz. "Well, have we really done that? Look at PTTs, [national posts and telecommunications conglomerates], look at public works and public purchasing, look at the transport sector throughout Europe – have we really liberalised these markets?"

The answer is no or, at least, not yet. The Community's unwillingness to liberalise some sensitive areas reflects the strength and longevity of vested interests in some countries.

In the field of communications, for example, Commission plans to open postal services to competition have yet to appear; and the most important and most obvious telecommunications services – notably, voice telephony – remain under the control of public monopolies in most EC countries.

In the energy sector, Commission plans should give large industrial users direct access to gas and electricity distribution networks by 1993, which would enable them to buy their energy from competing suppliers anywhere in the Community. But the market will not be opened to all-comers until 1996 – and then only if the first phase of liberalisation is judged a success.

The private sector has also been using its muscle to hold up liberalisation. Thanks to pressure from European car manufacturers, July's deal between the EC and Japan on car imports provides for a free market only in 1999. For the most liberal advocates of an internal market that is already something of a defeat but the car makers are likely to do their utmost to extend even that deadline.

In addition, member states are proving sluggish at implementing the single market. Many of the measures cannot take effect unless translated into national law. In spite of constant cajoling from the Commission, Italy has only recently passed the halfway mark in enacting the relevant measures and Brussels is beginning to fret at the slow rate of implementation for the most recently-agreed measures.

The final short-term threat to the internal market – and the one which Mr Martin Bangemann, the responsible commissioner, is most worried about – is the continued existence of the physical barriers which Brussels has pledged to remove. There is a risk that the Commission will not get the public relations victory which genuine free movement between Limerick and Lesbos on New Year's Day 1993, would provide.

National border controls on goods – right down to local checks on cross-border movement of bees, corpses and absinth – and, more seriously, on people, are being defended by some member states.

In particular, the right to check goods and people is jealously guarded by the four – Britain, Ireland and, to a lesser extent, Greece and Denmark – which are still outside the supposedly control-free Schengen agreement between the eight "mainland" EC members.

This is more than a symbolic or trivial struggle. In a memo sent to the 12 a fortnight ago, the Commission repeated Lord Cockfield's concern that "the continued existence of just one control would provide a justification for maintaining all controls"; for business, the removal of frontier controls is fundamental to the success of the whole plan.

"Everything else will flow from that," says Unice's Mr Tyszkiewicz, "because until we get these borders open there won't be the market pressures to finish the rest of the work."

The problem for the Community beyond January 1 1993, is that the work will never be finished, even if the Commission is able to declare the market open in a year's time. The irony of tearing down border controls while newly-independent states in the Soviet Union, eastern and central Europe are proudly erecting them has not escaped those working on the single market programme. Their next test will be to turn the microscope on potential new members of the Community and to find a way of extending Lord Cockfield's vision beyond its original frontier.

## Samuel Brittan

# Nightmare on Oxford Street

It would be hard to find a clearer example of the failure of depressed sectors of the economy to help themselves than the abysmal state of service prevailing in British shops.

One might have thought that shop managers might have responded to the depressed state of trade by improving the standard of service. In fact, despite the emptiness of the shops before the sales, the recession was used as an excuse for even worse service, thus setting up a downward cycle of customer neglect, bad trade, followed by still-worse neglect. I have not come across a single shop which has introduced gift-wrapping to stimulate trade. "Nah. We can sell you the paper," is the usual gormless response.

As a non-standard person with non-standard requirements, I normally loathe going shopping. There is often hardly anyone available to help the customer; there are only cashiers to take money, and a few security people to ensure that customers pay. Most assistants have no idea of the stocks; still less do they understand their merchandise sufficiently well to give advice. The only ones who occasionally can are managers and buyers who sit cowering in their offices to avoid people like myself.

To give an example: I have spent too large a fraction of my life looking in chemist shops for coloured plastic beakers, which one can use for cleaning one's teeth or taking a drink of water. Just to make sure that I have not been suffering from a linguistic shift since my youth, I have spelled the word BEAKERS, described the objects, and tried various synonyms. I only managed to get some because the pharmacologist in a large department store, who heard of my plight, went beyond the call of duty to locate these objects.

Nor does there seem any interest in adapting the range of products to what customers want as distinct from what it amuses designers to provide. For instance, it is extremely difficult to get anything in between expensive china crockery and the kind of heavy earthenware tea mug beloved by Tony Benn. Reasonably cheap breakfast ware, which can be broken without tragedy, I have been able to find only in ironmongery stores.

Shops obviously prefer selling objects to repairing or adapting them, even if customers would prefer a more balanced mix. There are many gadgets which I simply do not buy because of the agonies of getting them fixed up and put in working order. As it is, I have to indulge in a contrived loss of temper even to have a plug fitted. When I have asked for anything out of the ordinary, like a record player which can take 78s, I have been told to try Tottenham Court Road – not any particular place in it, but to perambulate the whole length. I should rather visit Dante's Inferno.

The high streets are full of far too many so-called electronics shops and video merchants, most of which give the sleazy impression of being interested mainly in the videos which they keep under the counter. But there are almost no good old-fashioned electrical shops. I spent the best part of a morning in the a vain attempt to get an electric toaster mended.

The badness of many British shops is not merely an absence of good qualities, but the presence of bad ones. One horror is the volume of loud pop music. Needless to say, the noise is not switched off or even reduced when one enters to ask an obviously bored sales person for some item.

Yes, things are a little better on the Continent. But snags exist there too. For instance, if one tries to get a pair of shoes mended quickly in some tourist (sorry, I mean cultural) centre like Salzburg, one is sent to some vast outlying hypermarket.

I have just been told that we live in a throw-away society. But does one have to be an eco-freak to believe that if customers were offered more service, more advice and longer-lasting products, they might be more inclined to take advantage of cut-price recession offers to go out and buy?

# LETTERS

## Protocol at Maastricht blurs equal pension issue

*From Mr Bryn Davies.*

Sir, It is Michael Elton of the National Association of Pension Funds (NAPF) who is wrong about the right of employees to equal pension rights under the Treaty of Rome (Letters, December 20).

Article 119 gave them the right to equal pensions from the moment the United Kingdom acceded to the treaty. The protocol agreed at Maastricht proposes to take it away.

His confusion appears to arise over what the European Court of Justice did on May 17, 1990.

It did not, as he appears to suggest, change the law. That is not within its competence. All the court did was to make clear that the existing law under Article 119 includes pension rights. That is why the government and the NAPF were so keen on a protocol to take those rights away.

Mr Elton may not wish to believe me, after all I stand accused in your columns of being a supporter of the Labour party (Letters, December 18).

However, I am not alone in my view. I would draw his attention to a circular on the protocol from leading pension lawyers, Nabarro Nathason, which says: "Apparently it has never been decided before whether the member states can amend the treaty to deprive individuals of rights which they have apparently previously been granted." What the government has done by its decision to sponsor this protocol is to move an issue from the obscurity of the European Court into the forefront of domestic political debate.

I am happy for the 5m or so people who would be adversely affected by the decision to draw their own political conclusions.

Bryn Davies,
*director and actuary,*
*Union Pension Services,*
*50 Trinity Gardens,*
*London SW9*

**Fax service**

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

## Bundesbank decision represents first real step on road to 'Europe 1999'

*From Mr Stephan-Gotz Richter.*

Sir, Last week's decision by the Bundesbank to raise interest rates seems to have sent shockwaves across Europe and the United States. Rather than being a cause for serious concern, however, this is mainly – as seems to be the Bundesbank tradition – the result of poor communications. There are, in fact, a variety of excellent reasons for the decision. Most directly, the Bundesbank is taking German employers, unions, and the government itself to task for being too complacent in recent wage rounds.

The true importance of the Bundesbank decision, however, is that it marks the first concrete step on the road to "Europe 1999" – that is, the single currency. None of the countries which wish to participate can afford to wait until 1997 to begin putting its economic house in order; the later they start, the more difficult the adjustment will be. In many cases, especially Italy and France, this will involve painful political decisions. A reminder from the Bundesbank may well come in handy.

Thus, while Maastricht signaled that European countries are fundamentally committed to reform, the Bundesbank's decision signals that it is prepared to take on the IMF role for Europe. Just as the IMF has been the whipping boy of lax regimes forced to bite the austerity bullet (from Kinshasa to London), so European countries forced into painful restructuring will be able to point the finger at German central bankers. That is perhaps the only way such bitter medicine can be made palatable.

Stephan-Gotz Richter,
*president,*
*TransAtlantic Futures, Inc,*
*1759 R Street NW,*
*Washington, DC 20009,*
*USA*

## Non-executive director remains an important role

*From Mr Hugh Parker.*

Sir, I yield to no-one in my respect for Sir Owen Green as an outstandingly successful company chairman, but I must take issue with his view (Letters, December 16) that the titles of "non-executive director" or "independent director" are misleading.

He is, of course, right in saying that these titles "have no legal meaning and carry no distinction of authority or function" among directors as a class. I believe, however, that he is wrong to argue from this legalistic point that such directors – called "outsider directors" in the US – do not have an important role to play in the effective functioning of the so-called unitary board.

The trouble is that a wholly executive board of a plc with no independent outside directors on it is not a true board at all; it is essentially a management committee. Executive directors are by definition employees of the company and subordinates of the chief executive. Non-executive directors are neither, and thus can be less beholden and more independent. Structures in themselves are no guarantee of performance. It comes down to people, particularly the chairman, as Sir Owen himself has so well demonstrated. The balance of advantage lies with the mixed rather than the wholly executive board.

Continental companies try to overcome this intrinsic problem of unitary boards, sometimes expressed as *quis custodiet ipsos custodes?*, by adopting the so-called two-tier board. That has been considered but rejected, rightly I think, as a solution appropriate to this country. With all its imperfections, a properly constituted unitary board – which in my view means a reasonable balance between employee and outsider directors – is a better (though certainly not foolproof) safeguard of the shareholders' interest than a wholly insider or executive board.

Hugh Parker,
*chairman,*
*Corporate Renewal Associates,*
*24 Fitzroy Square,*
*London W1*

## Lack of funds threatens archive of female history

*From Lesley Abdela.*

Sir, No-one would deny the importance of the Royal Commonwealth Society's collection of books, certainly not me. I grew up through the years when the world's largest empire, encompassing a 1,000m people, had reached its zenith and was transmogrifying into a profoundly worthwhile – and as yet not fully exploited – Commonwealth.

However, I hope potential saviours will keep in mind another under-funded, underdeveloped collection: The Fawcett Library tucked away in London's East End. The Fawcett Library is the nation's premier repository of memorabilia, papers, books, documents and letters of that underfunded gender: women, during the past century or two.

Recently, when I offered the Fawcett Library my own collection of historic letters and documents on women in politics in the 1980s, gained from starting up the all-party 300 Group for Women in Politics and Public Life, librarian David Dougan had to refuse.

As he put it, he had no space, no researcher, no funds. He didn't feel he could even accept my MBE, which I was happy to send him, awarded to me for services to women in politics through the recommendation of Britain's first woman prime minister.

The library, the nation's most important collection on women, including the Pankhursts and Millicent Fawcett, has to get by on insufficient voluntary contributions.

As a nation, we let rising damp wreak destruction on our own history.

Lesley Abdela,
*The Lodge,*
*Conock Manor,*
*Wiltshire SN10 3QQ*

FINANCIAL TIMES
Monday December 30 1991



# In the hall of the mountain kings

## Can Liechtenstein survive in Europe being an open secret? Ian Rodger in Vaduz

SPARE a thought, as the new year approaches, for the prosperous folk of *Liechtenstein*.

While most people in western Europe are looking forward to peace, order and progress toward political and monetary union in 1992, Liechtensteiners are dreading the prospect of being overwhelmed in the new Europe.

To the surprise and disappointment of most of the 28,877 people of this tiny principality tucked in the Rhine valley between Austria and Switzerland, their leaders succeeded two months ago in negotiating an agreement to create a so-called European Economic Area (EEA), which would join the nine countries of the European Free Trade Association (Efta), including Liechtenstein, with those of the European Community (EC).

What is the problem with that? "Everything is a problem," groans Mr Guido Meier, a director of General Trust Company, one of those Liechtenstein institutions that discreetly help rich people to take care of their money.

It is not that the people of Liechtenstein are xenophobic. Far from it. More than a third of the residents of the principality are foreign nationals, as is nearly 70 per cent of the working population. Moreover, since last year, Liechtenstein is a member in good standing of the United Nations, which is more than can be said for Switzerland.

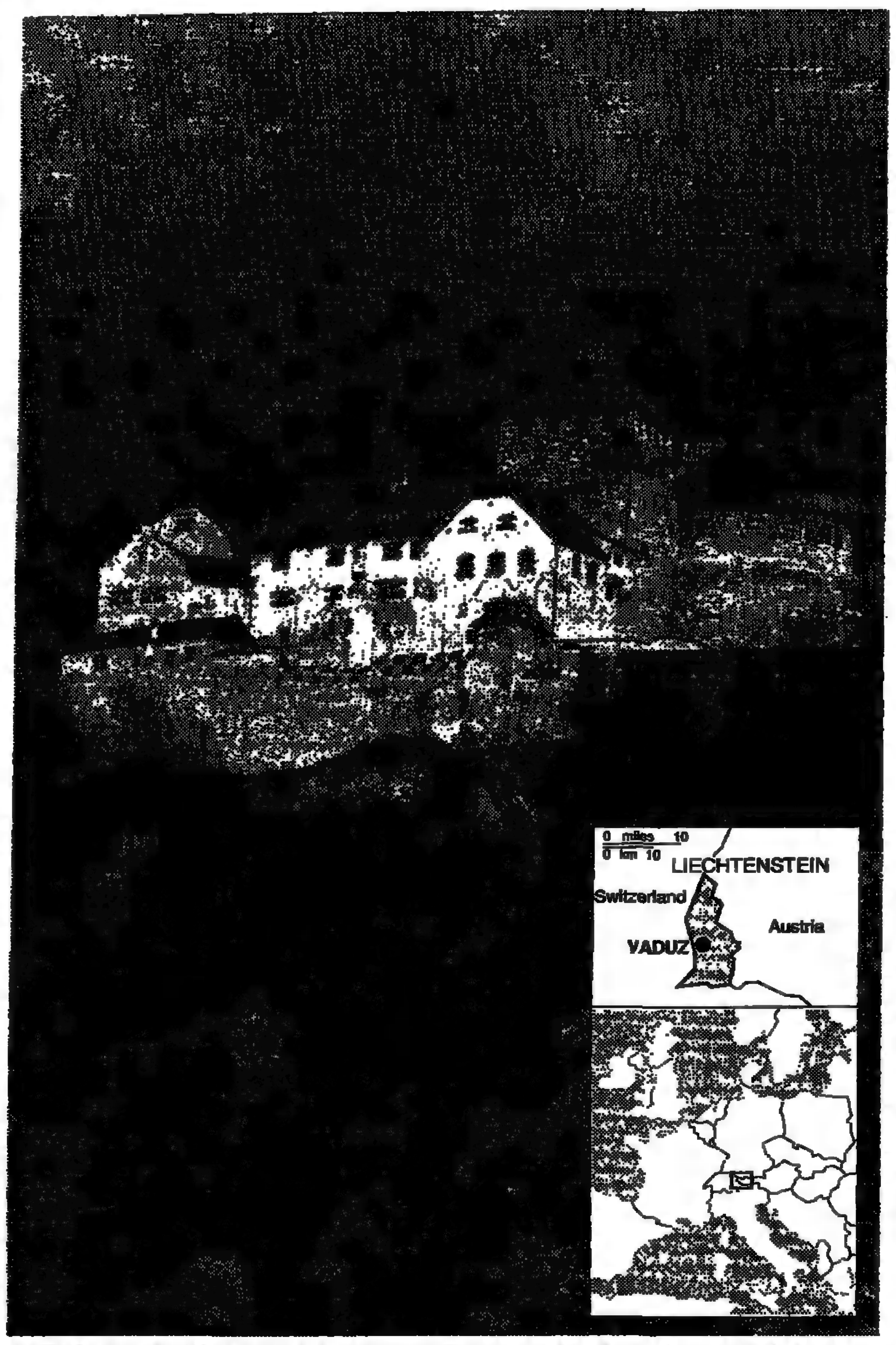
The problems arise from the disruptions the EEA could cause to Liechtenstein's unique economic structure and way of life.

Since being cast adrift after the collapse of the Austro-Hungarian Empire in 1919, the principality has succeeded in fostering a highly prosperous little society with a clever combination of extremely protectionist and extremely liberal policies.

Its niche products are anonymous holding companies, in the form of establishments, trusts or foundations (as in the Maxwell Foundation). They nestle in a legal framework that enables rich people from around the world to hide assets from snooping taxmen. It is said that there are now more than 50,000 such companies in the principality. Liechtenstein is not alone in offering these products, but its genius was to keep it all on a very small scale.

Not for Liechtenstein the clutter of foreign bank and law and accounting firm branches that characterises the typical tax haven. The principality boasts only three banks, all locally owned. Two more have just been authorised, the first such approvals in 35 years. The Liechtenstein bar lists only 50 lawyers.

The world's tycoons are welcome to set up companies or foundations in Liechtenstein, but they cannot buy property or live there. Even residents have to prove that the chunk of the principality's 62 square miles of land they seek to buy will be used for homes or needed businesses before they are allowed to own it.




Castle in the air: Liechtenstein's reluctant Europeans dread opening up their keep

The result is that the substantial tax revenue from offshore companies goes a long way, enabling the principality to keep its tax rates very low for all.

Now superimpose on this perfect little system the EC rules which the Efta countries have agreed to take up. If barriers to residence and the establishment of businesses must be dismantled, Liechtenstein could be overwhelmed by an invasion, not only of EC-based banks, accountants and lawyers, but also of all manner of rich people seeking to benefit from low tax rates. "We could end up like Monaco," Mr Meier worries.

If the government had to co-operate with snooping taxmen from other EC countries, the principality could see the demise of its most important niche industry.

So why did Liechtenstein go along with the EEA? That, as one might imagine, is a lively topic in the principality these days. The Liechtenstein Institute in Bendern has been packing them in with a series of seminars on what advantages could Liechtenstein get out of the EEA.

The answers one hears tend to be based on *amour propre* or a desire for respectability. Liechtenstein has been trying to polish its rather shady image for some time. In 1978, it joined the Council of Europe; in 1982, it signed the European Human Rights convention. Last year it joined the UN and this year it became a full member of Efta in anticipation of the EEA. Recently, it has also been trying to prevent the use of its holding companies and banks for laundering drug money.

"I suppose it is important that we are recognised as a sovereign state in Europe. We get to have our flag on the table," Mr Meier says.

In reality, Liechtenstein had little choice but to go along with the EEA negotiations. It has been tied in customs and monetary unions with Switzerland since 1923.

Once Switzerland decided to join its Efta partners in seeking an EEA, Liechtenstein had to follow. If the Swiss were in the EEA and Liechtenstein were not, the principality would have to break the unions. Assuming it could not find another partner, it would have to issue its own currency and plead for a special trade arrangement with the EEA.

So the only sensible strategy was to try to negotiate as many special provisions as possible. That task was given to Prince Nikolaus, brother of the reigning Prince Hans-Adam II and ambassador to Switzerland (where Liechtenstein has its only embassy).

The prince has scored some notable successes. The thorny issue of mutual assistance on tax matters has been shelved. The free movement of people is subject to a five-year transition period. Service sectors will be opened after three years, but the government can maintain non-discriminatory limits on various permits to prevent things from getting out of hand.

The prince doubts that banks will rush to the principality anyway. "Once there is free movement of capital, why set up in Liechtenstein when you can operate from Frankfurt by fax?", he asks, adding that if pressures on the principality do become intense, the transition measures can be prolonged.

In any event, in the past couple of weeks, the possibility has arisen that the EEA agreement will collapse because of objections by the European Court of Justice to the potential undermining of its jurisdiction. Prince Nikolaus, however, is not yet rejoicing. Another possibility, raised by the Swiss foreign minister recently, is that Switzerland will apply very soon for EC membership.

The prince is already thinking about problems in negotiating EC membership. "It would be difficult for us to take up the presidency for half a year," he says. "Maybe we could do it for just a month, in August."

He acknowledges that EC membership would mean the end of banking secrecy, but he is not disturbed by the prospect. He says small countries can do things that large ones cannot, and can move quickly when opportunities arise. "We can change our laws in three weeks." He adds: "If we just sit on banking secrecy, we will not have a very good future for our children."

There is also the possibility that the Swiss, who are to have a referendum on the EEA next December, will vote to stay out of it. If so, there would be singing in the streets of Vaduz, and the principality would join Switzerland in negotiating a trade pact with the rest of Europe.

Prince Nikolaus has already thought about it. "If it could cover everything to do with goods and leave out the rest, that would make us very happy."

# Reflections in a cracked glass

By Anthony Harris

This is not another bearish column about 1992, you may be surprised to learn. You can take your choice of those, from the mild gloom to a vision of Armageddon from Norman Macrae, of all people, for so long the most self-confident voice of our sister paper, The Economist. If you learned anything from 1991, you will take no notice of any of them; for the clearest lesson of this year has been that economists know next to nothing about the future.

Nobody knows this better than Britain's unfortunate chancellor of the exchequer, Mr Norman Lamont, who has ruined his reputation simply by passing on honest advice. The Treasury *forecasting* team was sincere in its constant forecasts of recovery, which were in any case moderate by the standards of some previously respected City and academic teams. Indeed, given the fact that the worst of all the independent forecasts came from the London Business School, which nurtured all three of the chancellor's senior economic advisers, the UK Treasury's record is quite respectable.

Its reputation is gone, though, along with that of the whole profession (it has done a little better in the US, but not well enough to avoid the same eclipse). The Treasury is still sticking to a toned-down version of its story, and may have a better chance this time of being right. It is hard, though, to find a minister, let alone a Tory backbencher, who believes a word of it. We are all in the dark, and we are all afraid of the dark; and that fear is the most powerful likely cause of the slump which the pessimists now expect.

Though it is tempting to snigger, the eclipse of economics is *no laughing* matter. On the contrary, renewed confidence in economics may well be a necessary precondition for renewed economic confidence. So perhaps the first point to make is that despite the mistakes of 1991, they came at the end of the most prosperous half-century in human history, in which the profession played an important part. It has a useful and respectable record.

That, indeed, is part of the trouble, for we have come to expect altogether too much of economics. This was a danger foreseen by Keynes, when he said that economists should not be regarded as philosophers, telling us the meaning of life, or even as doctors, laying down rules for healthy living, but as plumbers, who could fix things within their competence. Economists are only human, and have succumbed to this flattery and prescribed for every area of policy. They should get back to the nuts and bolts.

They could start by demanding better raw materials. One of the great false economies of the 1980s was to cut down the budgets of official statisticians, especially in the UK and the US. We now measure far fewer details of economic activity than when I was cutting my teeth on green books and censuses 30 years ago, and those measures we do have are less accurate.

**"We are all in the dark, and we are all afraid of the dark; and that fear is the most powerful likely cause of the slump which the pessimists now expect"**

Britain does not even have the healthy American habit of *publishing* a prominent *health* warning along with every figure. The US Census Bureau will say bluntly that housing *starts* rose by, say, 1.5 per cent (*plus or minus 2.4 per cent*), so you know that it is not even certain that they rose at all. In Britain, you have to read the small print, and few do. The result is a kind of economic motorway madness, pressing ahead without even knowing that we are in a fog.

Economists succumb, too. It is more than 20 years since one of them showed that official revisions to the economics statistics were normally half again as large as the changes reported at the time, and often turned a rise into a fall; but econometricians went solemnly on estimating parameters which would have had questionable significance even if they had been based on perfect information. You do not get promotion, or even a research grant, if you answer every important question with an honest "don't know".

These errors have persisted because in routine forecasting they do not matter as much as you might suppose. The equations are mainly a matter of minor trend-bending, and to estimate an important long-term trend, you need only a chart and a ruler. Small forecasting errors are trivial mistakes – especially when you remember that it may be years before we know whether the forecasts were right or wrong. It was because this fallibility was well understood that fine-tuning fell out of fashion; adjustments tended to be too late, and often in the wrong direction. Faulty mathematics become pernicious, though, when they are used to support explanations of how the economy works rather than simply what it is likely to do. It is only too easy for a plausible practitioner to "prove" some half-truth, or worse, which will then be used to turn the whole of policy on its head.

Thus the Treasury has at various times believed that interest rates have no effect on the economy (in the 1940s and '50s), or that they are almost the only thing which matters (which is the practical meaning of monetarism); that exchange rates must be fixed, or adjustable, or flexible, or any two of the three; that budget deficits don't affect anything (the so-called equivalence theorem), or that they are the root of all evil.

All these views have been "proved" with blind-you-with-science mathematics; all have been dangerously misleading. So have such recent but less-proved theories as rational expectations (which says that government policy changes have no effect anyway, because everyone can see them coming) and efficient markets (which helped politicians to ignore the dangers of speculative bubbles: perhaps the markets know something they didn't). Those who know some history, and apply common sense, do better. The eclipse of grand theory, then, is probably no bad thing, if we can only recover ordinary confidence in good technicians. We choose objectives politically – more incentive or more equality, more spending money or better services; economists analyse our proposals, and suggest how to get the best result at lowest cost. That is how it ought to work.

# UK Tories prepare attack on Labour

By Ivo Dawnay, Political Correspondent, in London

THE UK government will this week try to shift the economic spotlight away from fears of a possible interest rate rise to a debate over who is best fitted to control inflation and restore growth against a background of international turbulence.

As Tory officials yesterday talked down the widespread gloom, senior party strategists were preparing a new year assault on the opposition Labour party under the slogan: "You Can't Trust Labour."

Today, Mr Chris Patten, Tory party chairman, will publish a letter to his constituency parties portraying Mr John Major, the prime minister, as well equipped with the qualities of prudence and competence that, he claims, are lacking in Mr Neil Kinnock, the Labour leader. This week the prime minister will use a radio interview to project a message that slow but steady recovery is on the way, but would be jeopardised by a high-spending Labour government.

Next week by Mr David Mellor, the UK chief secretary to the Treasury, is scheduled to release new costings of Labour's tax and spending plans, aimed at depicting the opposition as untrustworthy on economic issues.

But the counter-attack cannot disguise the mounting unease among some Tory backbench MPs, fuelled at the weekend by a Mori opinion poll showing Labour on 44 points, six points ahead of the Conservatives on 38, with the Liberal Democrats trailing at 14. The figures, published in the Sunday Times, were dismissed by Tory officials as a "rogue" poll.

As Mr Kinnock used an upbeat new year's message to voters to promise "a fresh start" under a Labour government, Mrs Margaret Beckett, the opposition chief secretary to the Treasury, said the public knew there was no economic recovery in sight.

"Despite repeated promises from both John Major and Norman Lamont that it would be here by the end of 1991, the recovery still eludes us and the recession continues," she said.

With ministers insisting that sterling can ride the turbulence in the foreign exchange markets without an interest rate rise, Downing Street stamped firmly on speculation that the government might seek a realignment in Europe's exchange rate mechanism as an alternative option.

Kinnock attack, Page 4

# US may clear sale of BAe jet to Iran

By Paul Betts, Aerospace Correspondent

THE US State Department is expected soon to lift its veto on the sale of British Aerospace 146 regional jets to Iran.

This will clear the way for talks between BAe and Iranian civil aviation agencies on possible orders by a number of Iranian carriers for the 70 to 120-seater aircraft.

BAe held discussions this year with Asseman Airlines, the domestic Iranian carrier, over the sale of the jets. But talks made no progress as BAe was unable to win the necessary export approval from the US government.

The State Department opposed the sale because of Tehran's alleged support for terrorism and the detention of hostages in Lebanon. The release of all US hostages appears to have changed Washington's position.

Foreign aircraft have to secure an export licence from the US if more than 10 per cent of their content is US-built. The BAe regional jet includes engines made by Textron-Lycoming and other US equipment.

The British government had been pressing the US to lift the ban on BAe 146 sales to Iran, especially since Fokker of the Netherlands has already sold its Fokker 100 regional jet there.

Iran is expected to offer significant openings for commercial aircraft manufacturers as the country needs to replace a large number of older aircraft while introducing more domestic services.

BAe said yesterday it had not yet discussed details with Iranian civil aviation officials. An official emphasised that the lifting of the US veto did not imply the company was about to win an order from Iran.

However, a big order would represent another significant boost for BAe's regional aircraft operations. The company recently won a $450m order for 20 BAe 146s from Business Express, a US commuter carrier which acts as a feeder for Delta Air Lines.

BAe's commuter and regional aircraft operations have been losing money.

Just before Christmas, the UK company announced a wide-ranging corporate reorganisation of its core defence and commercial aircraft activities.

It is also seeking an international partner to strengthen its regional and commuter aircraft operations.

# Evidence of UK recession

Continued from Page 1

winter sales would mark the start of a consumer spending boom dwindled as traders reported business on Saturday was like a normal busy day. The reported declines in business and consumer confidence are a particular blow to Mr Lamont, who has consistently pinned his expectations of economic recovery on survey evidence.

The IoD poll found only 37 per cent of directors more optimistic about the economy than six months ago. The Sunday Times poll of 1,087 adults, carried out on Friday by the Mori polling organisation, found 41 per cent expected economic conditions to worsen over the next 12 months against 24 per cent expecting an improvement.

The bleak state of the economy prompted Mr Peter Morgan, IoD director-general, to criticise the government's decision to enter the exchange rate mechanism of the European Monetary System in October 1990 before inflation had been brought down to the level of Britain's EMS competitors.

He said the increased gloom among directors reflected concern that the government no longer had control over interest rate policy and "the next movement of interest rates may be upwards".

## WORLDWIDE WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 13 | 56 | Berlin | Dr | 5 | 41 | Caracas | F | 26 | 79 | Faro | F | 15 | 59 | Islamabad | F | 14 | 57 |
| Algiers | F | 15 | 59 | Biarritz | S | 6 | 43 | Casablanca | S | 17 | 63 | Florence | S | 9 | 48 | Istanbul | R | 3 | 37 |
| Amsterdam | Dr | 6 | 43 | Bombay | S | 27 | 81 | Chicago | C | 1 | 34 | Frankfurt | C | 0 | 32 | Jakarta | R | 31 | 88 |
| Athens | R | 7 | 45 | Bordeaux | S | 5 | 41 | Cologne | C | 6 | 43 | Geneva | C | 2 | 36 | Jersey | S | 8 | 46 |
| Bahrain | S | 18 | 64 | Boulogne | C | 7 | 45 | Copenhagen | F | 7 | 45 | Gibraltar | S | 17 | 63 | Johannesburg | F | 27 | 81 |
| Bangkok | F | 28 | 82 | Brussels | C | 7 | 45 | Corfu | S | 10 | 50 | Glasgow | F | 5 | 41 | Lima | C | 25 | 77 |
| Barcelona | S | 10 | 50 | Budapest | C | -1 | 30 | Dallas | S | 3 | 37 | Helsinki | C | 2 | 36 | Lisbon | S | 7 | 45 |
| Beirut | F | 16 | 61 | Buenos Aires | F | 27 | 80 | Dublin | C | 8 | 46 | Hong Kong | S | 9 | 48 | London | C | 8 | 46 |
| Belfast | R | 7 | 45 | Cairo | S | 15 | 59 | Dubrovnik | – | – | – | Innsbruck | S | -2 | 28 | Los Angeles | R | 11 | 52 |
| Belgrade | F | -3 | 27 | Cape Town | S | 24 | 75 | Edinburgh | F | 7 | 45 | Inverness | S | 5 | 41 | Luxembourg | C | 2 | 36 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Madeira | T | 15 | 59 | Milan | S | 6 | 43 | Nicosia | R | 12 | 54 | Salzburg | F | 0 | 32 | Tenerife | S | 20 | 68 |
| Madrid | S | 7 | 45 | Montreal | Fg | -3 | 27 | Oporto | S | 12 | 54 | San Francisco | C | 9 | 48 | Tokyo | F | 8 | 46 |
| Majorca | S | 14 | 57 | Moscow | C | -5 | 23 | Oslo | S | 6 | 43 | Seoul | S | -5 | 23 | Toronto | Dr | 1 | 34 |
| Malaga | F | 16 | 59 | Munich | S | 1 | 34 | Paris | S | 5 | 41 | Singapore | F | 27 | 81 | Tunis | R | 9 | 48 |
| Malta | S | 9 | 48 | Nairobi | S | 25 | 77 | Peking | S | 3 | 37 | Stockholm | F | 5 | 41 | Valencia | F | 13 | 55 |
| Manchester | C | 8 | 46 | Naples | S | 9 | 48 | Prague | C | 0 | 32 | Strasbourg | Fg | -2 | 28 | Venice | S | 5 | 41 |
| Manila | R | 29 | 84 | Nassau | C | 28 | 82 | Reykjavik | R | 2 | 36 | Sydney | C | 21 | 70 | Vienna | S | 2 | 36 |
| Melbourne | S | 21 | 70 | New Delhi | S | 18 | 64 | Rhodes | F | 10 | 50 | Taipei | C | 12 | 54 | Warsaw | Dr | 1 | 34 |
| Mexico City | F | 21 | 69 | New York | C | 5 | 41 | Rio de Janeiro | C | 26 | 79 | Tangier | S | 16 | 61 | Washington | R | 3 | 37 |
| Miami | S | 19 | 66 | Nice | F | 11 | 52 | Rome | S | 10 | 50 | Tel Aviv | S | 14 | 57 | Zurich | S | 0 | 32 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
Monday December 30 1991





## INSIDE

### Italian insurer in $500m Spanish deal

Assicurazioni Generali, the Italian insurance group, is to pay up to $500m for a 5 per cent stake in the merger of two major Spanish banks, Central and Hispano Americano, and for half the merged insurance operations of the two banks. Under a deal in Madrid last Friday the new Spanish bank, Banco Central Hispanoamericano (BCH) will place half its insurance businesses into a joint venture with Generali. Page 14

### Airtours flies round the storms

At the beginning of this year, it would have seemed madness to suggest that a company exposed to the Gulf war and the UK recession would end up as the highest rising UK stock of 1991. However, Airtours, the Lancashire-based package holiday company, has achieved just that. Along the way, when companies in a battery of sectors were issuing profit warnings, Airtours had to tell the market to revise expectations upwards. Page 14

### Good times for bonds

The onset of recession and declining interest rates are generally good for bonds, judging by the past year. While equity markets turned in a patchy performance over the year, bond markets boomed. New issue volume in the international bond market hit a record $228bn equivalent. And anecdotal evidence suggests that most market participants received year-end bonus cheques of healthy proportions. Page 15

### Subdued end to tumultuous year

While US equity markets ended the year in record-breaking style, the Treasury market spent most of Christmas week in hibernation, primarily because many bond traders stayed away for the the holiday. It proved a subdued end to what has been a tumultuous, yet profitable year for bonds, with investors enjoying a rate of return of about 14 per cent (including interest payments and capital gains) over the past 12 months. Page 16

### Brazil to ease sell-off rules

Brazil plans to ease rules for foreign participation in its national privatisation programme. Under regulations to go into effect next year, foreigners will no longer have to wait two years to re-sell stock in the privatised companies or repatriate profits and dividends. Page 15

Market Statistics



Companies in this issue



# Broadgate group in $180m refinancing

By Robert Peston in London

ROSEHAUGH Stanhope Developments has raised $180m in the US securities market to refinance phase 6 of its Broadgate Development in the City of London.

The deal is part of a complex debt re-organisation by RSD's two parents, Rosehaugh and Stanhope, the two property companies in financial difficulties.

It is the first time a non-US company has refinanced an individual property by issuing rated commercial paper in the US.

The commercial paper (or short-term securities) being issued was rated P1 by Moody's, the rating agency, and A1+ by Standard & Poor's, its rival. The paper has been issued by a specially created vehicle, 135 Bishopsgate Funding Incorporated.

Kidder Peabody, the US investment bank, has sold the paper to investors on behalf of 135 Bishopsgate, which in turn lent the proceeds - swapped into sterling - to a subsidiary of RSD.

RSD used the proceeds to pay a syndicate of banks led by County NatWest, the subsidiary of National Westminster Bank, which provided the finance for the Phase 6 development. National Westminster is renting the whole of Phase 6. Its rent will service RSD's loan from 135 Bishopsgate.

The paper of 135 Bishopsgate has to be repaid or rolled over every month. If US investors lose their appetite for the paper, a $180m standby facility has been arranged by Sanwa's London banking branch. This effectively guarantees that 135 Bishopsgate - and hence RSD - will be able to borrow the $180m for six years.

To cover the risk that payments from RSD to 135 Bishopsgate could dry up, 135 Bishopsgate has taken insurance from FGIC, the GE Capital subsidiary. FGIC, which has the Broadgate property as security, is providing a guarantee both to the banks involved in the standby facility and the counterparty which swapped the paper proceeds into sterling.

Mr David Hudd, of Sanwa International Structured Finance, said he expected the paper would trade at between 20 and 30 basis points below the dollar interest rate in the London interbank market.

He said lenders to 135 Bishopsgate were insulated from difficulties at Rosehaugh, Stanhope and RSD. Holders of the commercial paper or the banks providing the standby facility would not suffer if the financial condition of the property companies deteriorated.

**Martin Dickson** reports on GE Capital's appetite for its rivals

# A predator waiting to strike again

For the past two years GE Capital (GECC), the main finance arm of the US conglomerate General Electric, has been giving a demonstration of corporate Darwinism in some of the largest but least understood areas of the US financial services industry, devouring a succession of weaker rivals.

This month it was invited to make an offer for the credit portfolio of fellow conglomerate and long-time GE rival, Westinghouse Electric. No deal emerged, which could put extra pressure on Westinghouse, already suffering from $2.7bn of write-offs because of poor investments in property and leveraged buy-outs by its financial services arm, most of which is now up for sale.

GECC, by contrast, has had a remarkable record of profits growth over the past decade, which it has sustained through the recession.

With assets of about $77bn, it is the second biggest non-bank finance group in the US (General Motors' offshoot ranks first) and larger than all but the top half dozen banks. Its 20 businesses range from the mundane (financing car purchases or mortgages) to the arcane (leasing lorry trailers or ship containers).

GECC's strong capital base means it is ideally placed to snap up assets from distressed sellers. It has begun expanding in the UK, its stepping stone to the continental European market: to complement its US private-label credit card business, it bought the finance operations of UK stores chains Burton Group and House of Fraser, and a car loans company from Barclays Bank.

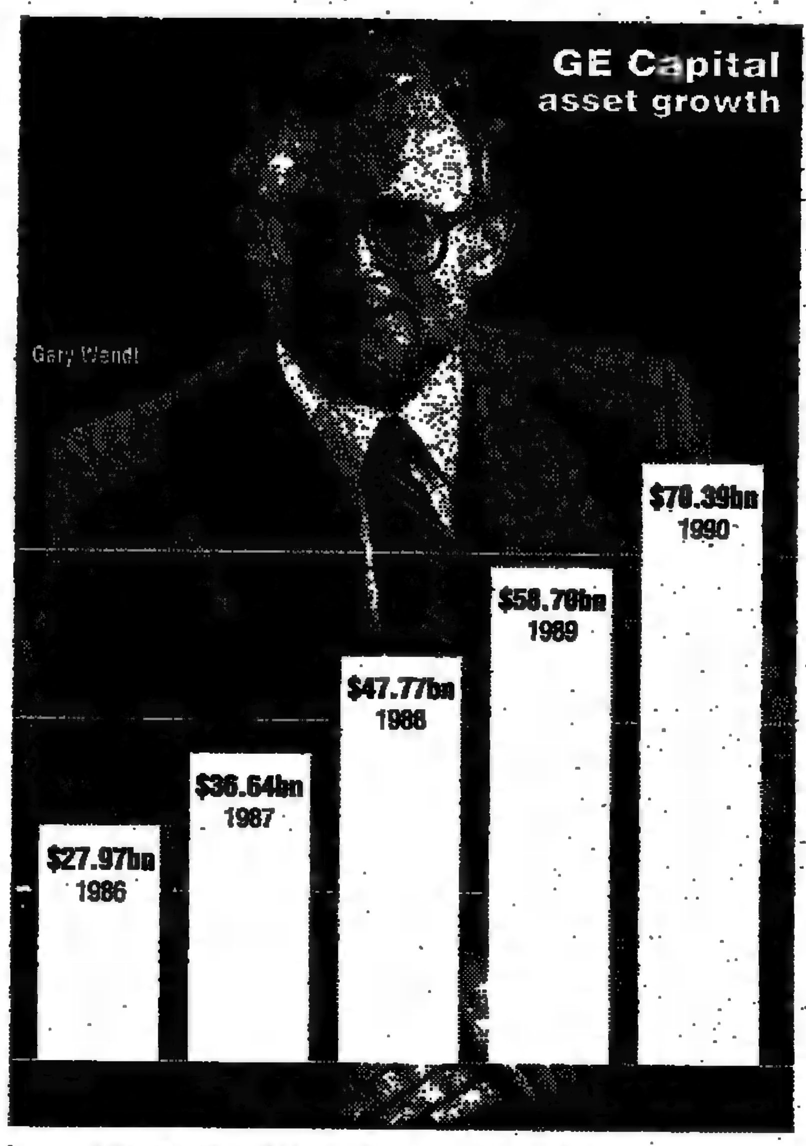
The group has not been immune from mistakes. Its investment in leveraged buy-outs has been poor, nowhere more so than in Britain, where it was a lender to the disastrous Magnet kitchens deal and is now suing Magnet's advisers for alleged misrepresentation.

Its record here leaves a question mark over its reputation for conservatism, yet in an industry where so many firms have gone wrong, GECC appears to have done many things right.

Its rapid growth over the past decade is part of a wider change in US financial services. The finance arms of large industrial companies, set up to provide credit to buyers of their parents' wares, have muscled into areas, traditionally dominated by commercial banks, ranging from home mortgages to industrial and property loans.

The finance companies' advantages include an ability to piggy-back on their parent company's credit rating to raise cheap capital in the commercial paper market, and less regulation than that imposed on banks, whose deposits are insured by the federal government. However, as Westinghouse shows, that is no recipe for success.

Mr Gary Wendt, 49-year-old chairman of GECC, argues that his group's success stems largely from the fact that it has to work its capital harder than most banks which enjoy more generous debt to equity ratios.




GECC also has to compete for capital against industrial businesses in the GE group and has been set a target return on equity of 20 per cent - high by the standards of the financial services industry.

Mr Wendt says: "The preciousness of that capital has made us drive for high value-added activities." That has pushed the group to a strategy with three key elements: diversification; a focus on niche businesses; and a management structure allowing the subsidiaries considerable autonomy.

Wall Street critics add another ingredient of success - a ruthless efficiency in managing its credit portfolio. "The people on the Brooklyn waterfront can't teach anything to GE Capital," says one analyst.

Rapid diversification over the past five years has protected GECC against problems in individual markets. In 1989, for example, the flourishing property and leveraged buy-out lending businesses accounted for some 50 per cent of its earnings. However, in spite of the collapse of both markets, the group should manage profits growth of around 15 per cent this year, with some subsidiaries pushing up earnings by more than 25 per cent.

Its focus on narrow market niches has advantages. First, GECC's concentration of expertise ought to make the group more proficient than generalist lenders, such as the commercial banks, in assessing credit risk.

Mr Denis Nayden, executive vice-president, says: "If you are going to be an equipment financier, you need to understand what the equipment does."

Mr Wendt says his experience in the 1970s as head of GECC's property operations helped the group avoid the worst of the property problems now affecting many banks (and Westinghouse), which became heavily involved in speculative construction loans during the 1980s boom.

Mr Wendt's first job with GE involved sorting out soured construction loans in Florida, and this so scarred him that throughout the 1980s GE Capital would only concentrate its property lending on existing, quality buildings with assured rentals.

However, GECC did not show such self-restraint in leveraged buy-outs, where its "niche expertise" proved deficient - in common with much of Wall Street.

Mr Wendt says: "There's little question that those of us who were in that business did not know when to stop." So far GE has had to write-off about $670m of its $8bn LBO portfolio, with more certain to come, although it says most has been offset by gains on cashing in LBO-related grants of share warrants.

Nevertheless, in most of its businesses the specialist approach has worked, giving it an advantage creating products or refining existing ones. Mr Wendt says: "What we try and do is put in service value so the credit risk becomes less of an important factor."

It also means it can reap scale advantages as consolidation sweeps these fields. For example, GECC this year bought the commercial equipment financing assets of Bank of New England, a large regional bank which became insolvent, without taking on its staff or infrastructure.

Although GECC is well regarded on Wall Street, some analysts remain sceptical of its success. Mr Noel Delaney, of brokers Smith Barney, sees dangers in the company's "extremely aggressive" pursuit of new business and asks: "How long can they continue to walk on water in times like this?"

Some critics also question how conservative GECC is in making write-offs. Mr Wendt says its accounting practices are "consistent with those followed by everybody." He adds: "We constantly revalue our portfolio on a quarterly basis and if we think we are overvalued we take the write-off."

Non-earning assets, he says, reached high point in the middle of this year and were now on the way down.

GECC's businesses include areas of potential weakness. Its aircraft leasing business would be vulnerable in any prolonged downturn - although this activity only accounts for around 5 per cent of total assets.

Nevertheless, GECC seems in better shape than its rivals. So while Mr Wendt would not welcome the prospect of "double dip" US recession, he also views it as an opportunity to snap up more assets.

# US courts may rule on funds for MCC

By Andrew Jack in London

THE ADMINISTRATORS to Maxwell Communication Corporation meet bankers today in an attempt to negotiate additional loans to help sustain the companies in the group.

Some loans will be earmarked as short-term funding for struggling subsidiaries, but these facilities may require US court approval. Such a delay, or refusal to grant the loans, could threaten their survival.

Clarification over who controls MCC could come today in London when administrators meet Mr Richard Gitlin, the examiner appointed by the New York bankruptcy court under Chapter 11 proceedings. If negotiations are successful Price Waterhouse will propose an order in the High Court on Tuesday, regulating proceedings in the UK and US.

Mr Colin Bird, a partner with Price Waterhouse in London and one of the joint administrators of MCC, said the loans were essential to stabilise the company, but complicated because they needed US court approval.

He said MCC required loans of between £10m ($18.2m) and £25m. "If we don't get the money, the whole thing will fall apart," he said. "Clearly it's very urgent. But we are hoping for an agreement in principle on Monday and documents are being drafted. We could have consent before Friday."

The MCC subsidiaries are not in administration, but they must find alternatives to the considerable funding previously provided through central Treasury functions within the Maxwell corporate empire. In some cases this ran to tens of million pounds.

Mr Bird said most subsidiaries could offer assets to be secured against new loans. However, he said "one or two companies" in the group had severe cash flow problems. One is believed to be Maxwell Business Publishing.

Judge Tina Brozman in New York will consider on Friday whether the administrators or the directors of MCC should be classified as "debtor in possession" under US bankruptcy law.

Mr Bird said he was "quite confident" that he and his colleagues would be recognised as debtors in possession in the US. They could then implement administration plans while keeping in regular contact with the US courts.

The administrators must also cope with a $100m bond raised in Canada and guaranteed by MCC to help finance acquisitions which Mr Bird said would become due "imminently".

Canadian deal, Page 14

# The German way to call up animal spirits

Economics Notebook

By Peter Norman

THE 1970s form a bleak period in British economic history.

The decade witnessed the UK's first serious post-war recession, inflation rising to 25 per cent, a national bail-out by the International Monetary Fund and industrial decline and unrest, culminating in the winter of discontent.

Little wonder that politicians rarely look back to that period for lessons on policy.

But Mr Norman Lamont, the UK chancellor of the exchequer, and his advisers in the Treasury might learn something if they looked back *and* abroad. For in the mid-1970s, the West German government of Chancellor Helmut Schmidt kick-started an economy that, rather like Britain today, was in the doldrums after a deep recession.

In the Autumn of 1975, conditions in what was then West Germany bore some resemblance to those in Britain now.

A booming economy in the late 1960s and early 1970s had spawned a serious inflation problem, although Germany's peak consumer price inflation of around 8 per cent at the time compares favourably with UK experience in that and subsequent business cycles.

A rigorous monetary policy - which pushed overnight money rates in Frankfurt to 40 per cent at one point in 1973 - brought rising prices largely under control, but at the cost of a deep downturn of activity, especially in the construction sector.

Unemployment in Germany was rising sharply in late 1975, although jobless rates and totals were around half the present UK levels.

It could also be argued that West Germany then and Britain today had the worst of the recession and inflation behind them and were on the threshold of recovery.

However, then as now, there was little sign among consumers and industrialists of the "animal spirits" that the economist Mr John Maynard Keynes identified long ago as being necessary for growth.

Faced with an economy in the doldrums, Chancellor Schmidt's government announced a carefully targeted DM5.75bn ($3.8bn) public works programme in August 1975. This programme, worth rather more than £1.1bn ($2bn) at the time, provided a direct boost of around 0.6 per cent of gross national product to the German economy. It was designed primarily to modernise Germany's cities, improve infrastructure in the regions and encourage industry to invest.

Within six months, it was clear West Germany was growing strongly. The economy eventually recorded real growth of 5.5 per cent in 1976 against a decline in output of 1.3 per cent in 1975.

Although the Bonn government's measures had focused on helping industry, and the construction industry in particular, consumer demand emerged as one of the main pillars of the recovery. In spite of a sharp rise in government borrowing, inflation fell in 1976 to 4.3 per cent from around 6 per cent in 1975.

In short, Chancellor Schmidt's public works programme appeared successfully to trigger a broad-based economic revival, without encouraging inflation, in a remarkably short time.

But such government programmes are like a powerful drug: their beneficial effect depends on careful dosage. After the mid-1970s such policy prescriptions fell from favour, partly because governments were slow to clamp down on public spending after growth returned.

So are there any lessons for the UK today from the German government's successful fiscal boost in the mid-1970s?

The UK Treasury's reaction would probably be "no". It has always argued that fiscal stimuli such as increased public spending or investment incentives for industry can take a long time to have an effect.

There is always the problem of choosing the right target. Action now would have little economic impact before the election in the first half of next year.

In Britain's case, a special programme would upset the annual rituals of the spring Budget to set taxation policies as well as negotiations between the Treasury and spending departments culminating in the November Autumn Statement to set public spending totals and priorities for the following financial year.

The Treasury could also claim last month's Autumn Statement gave a substantial fiscal boost to the economy.

It added £11.1bn to planned departmental spending in 1992-93 and lifted the proportion of general government expenditure in gross domestic product to a planned 42 per cent in the coming financial year from 40 per cent in 1991-92. Earlier, this year's budget had provided a range of investment incentives for industry.

But these moves have had no discernable impact on the economy. The Autumn Statement forecast of 0.6 per cent growth between the first and second half of this year is unlikely to be achieved in the light of recent bad news about the economy. Leaving electoral considerations aside, there would seem to be a strong case for additional action to boost the economy.

A devaluation of sterling in the context of a realignment of parities in the European Monetary System would risk being inflationary and appears a remote possibility as long as other EMS countries oppose such a move.

The Bundesbank's decision before Christmas to raise German interest rates underlined that Britain has practically no hope of lowering interest rates in the short term to stimulate activity.

Yet in spite of recent increases in government spending plans, figures from the Paris-based Organisation for Economic Co-operation and Development suggest the UK is better placed than most industrialised nations to give the economy a fiscal boost.

The government's recent action to support the housing market has shown that it can change fiscal policy at times other than the Budget and the Autumn Statement when it has the will.

One possibility would be a temporary reduction of consumption taxes, using an instrument on the statute book known as the regulator. However, this would almost certainly suck in imports.

The example of Germany in the mid-1970s suggests that an infrastructure investment programme - if launched with sufficient fanfare - could summon up the "animal spirits" that have so far failed to respond to the past year's improvements in underlying economic conditions such as lower interest rates and falling inflation.

There is also an obvious need for Britain to improve its infrastructure, especially in the field of public transport in south east England, which happens to be the area worst-hit by recession.

Increases already announced in government spending on public transport next year will do little more than offset negative effects of recession on investment plans.

The Autumn Statement envisages no more than preparatory work on the east-west Crossrail project between London's Paddington and Liverpool Street. It did not mention a much-needed high speed rail link between London and Heathrow airport.

However, services such as high-speed cross-city rail links have been an accepted part of life in Paris for many years. Moreover, infrastructure improvements can have a significant impact on a nation's economic prospects, as a recent OECD report* makes clear.

It said: "Urban environment and urban services have been thrust to the forefront of the economic arena in the struggle to attract foot-loose tertiary activities and high technology industries.

"The quality of the environment and of basic infrastructure, as well as the provision of cultural and social facilities, are no longer viewed merely as objects of consumer demand or social concern but also as instruments of economic growth and survival."

This is especially true of the European Community countries as they create a single market and move towards economic and monetary union. It is a point the chancellor might consider as he reviews a year of economic disappointment.

**Urban Infrastructure, Finance and Management, FF95 from OECD Publication Service, 2 rue André-Pascal, 75775 Paris Cedex 16.*

# John Foster calls meeting in bid to replace auditors

**By Andrew Jack**

JOHN FOSTER & Son, the Bradford-based wool textile group, has called an extraordinary general meeting next Friday in an attempt to remove accountants Robson Rhodes as its auditor and replace the firm with a larger competitor offering lower fees.

The unusual step follows Robson Rhodes' refusal to resign at the request of the directors shortly after the firm was reappointed as auditor for the current financial year at the last annual general meeting in July.

In a letter sent to shareholders on Friday, Mr Victor Watson, chairman of John Foster, said the board recommended the appointment of Coopers & Lybrand Deloitte, the largest UK accountancy firm by fee income, "to provide the support which the new management of the company requires".

He said there were many reasons for the change but that the most important was "the depth of resources" Coopers could provide. He added that it also offered a reduction in audit fees.

However, Mr Chris Connor, head of Robson Rhodes' Leeds office, who was due to conduct the audit this year, said his firm had demonstrated that it has the resources to carry out the work required, and a cheaper audit fee was not necessarily a good reason for appointing a new auditor.

The firm has been auditing the company since 1966, and argues that the management has not taken up its offers of assistance in a number of operational areas.

Coopers would not specify the audit fee it had tendered, but said size allowed it to offer very competitive bids. The current fee is about £40,000.

Mr Watson said in his letter that Robson Rhodes had concluded its 1991 audit "satisfactorily" but he criticised the firm for forcing an EGM by demanding representation in front of the shareholders "regardless of the costs that the company will thereby incur".

But Mr Connor said: "It's a question of principle. The removal of auditors ought to be done in the open. There should be the chance for shareholders to express their views."

The desire for a change of auditors is believed to be in part the result of a personality clash between individuals within the company and at Robson Rhodes.

John Foster did not ask the firm to tender for the audit in the autumn when it received bids from four other large accountants.

The largest shareholder in John Foster, with more one-fifth of the shares, is Koninklijke Bunge, a Dutch holding company with British operations already audited by Coopers.

# American Airlines to shed 1,250 jobs

AMERICAN Airlines is to cut 1,250 ground staff jobs at airports around the US, with effect from February, Reuters reports.

Citing falling revenues and the likelihood of another poor year-end report, a spokesman for the Fort Worth-based airline which has 97,000 employees, said the cuts were designed to bring job levels down to "the minimum number to manage on".

Mr Robert Crandall, American's chairman, said the airline was forced to cut $8bn from planned capital spending through to 1995.

This involved cancelling orders for 93 aircraft.

The current job losses are "just one of many moves" relating to this cut in spending, the spokesman said.

He added that notices would go out from January 3 to ticket agents, baggage handlers, car mechanics and other non-flight crew employees.

Some of these employees may be offered positions in other departments or in other locations.

Early in November, AMR said it expected a loss in the fourth quarter ending December 31, 1991, after posting a deficit of $115m for the first nine months of the year.

# Pennzoil to take charge after accounting changes

PENNZOIL, the diversified US energy group, is to take a year-end charge of $49m after adopting new accounting methods, Reuter reports.

The one-time cumulative effect on prior-year results from adopting the standard for Pennzoil is expected to reduce 1991 net income by about $49m, or 1.21 cents a share.

The new Financial Accounting Standard No. 106 must be put into effect by most American companies no later than 1993.

It requires that costs of post-retirement benefits other than pensions, such as life and medical insurance coverage, be accrued over an employee's active career.

The change also requires Pennzoil to restate previously reported 1991 quarterly results. The charge is non-cash and adhering to the new standard will not affect cash flow, the company said.

In 1990, Pennzoil reported net earnings of about $94m, or $2.37 a share. In the third quarter, it reported a loss of $2.06 a share, excluding a gain of $2.86 a share from discontinued operations.

The company said that in addition to the one-time charge, Pennzoil's post-retirement life insurance and medical coverage expense is expected to increase by about $2.5m, before taxes, as a result of adopting the new accounting standard.

# Tesco deal sets up 600 Group property sale

**By Richard Lapper**

PLANNING permission allowing Tesco, the UK supermarket group, to build a superstore on a 10-acre site in Colchester, Essex, has been given and allows a property sale worth £10.5m ($19.11m) to the 600 Group, to go ahead.

The 600 Group, the machine tool and mechanical handling equipment combine, originally agreed the deal in July with Danbury Developments.

It said the sale would enable it to invest in plant and equipment, develop new products and improve the effectiveness of its core businesses.

The 600 Group has been hard hit by a decline in UK orders. Turnover dropped from £72m to £50.6m in the six months to September 30.

The site, which has a book value of £3m, has been vacant since 1989 when Colchester Lathe, a 600 Group subsidiary, moved to another location.



# Generali to take stake in Spanish bank venture

**By Peter Bruce in Madrid**

ASSICURAZIONI Generali, the Italian insurance group, is to pay up to $500m for a 5 per cent stake in the merger of two leading Spanish banks, Central and Hispano Americano, and for half of the merged insurance operations of the two banks.

Under a deal signed in Madrid last Friday the new Spanish bank, Banco Central Hispanoamericano (BCH) is to place half of its insurance businesses into a joint venture with Generali.

The insurance companies merging are the Vitalicio group, the Vasco Navarra group from Central, the La Estrella group from Hispano, and Generali's Spanish affiliate, Caja de prevision. The merger will create the biggest insurance company in Spain, with premiums well over the $1.2bn collected by the current market leader, Mapfre, last year. Generali and Central have been partners in the Vitalicio group for many years.

Generali also agreed to buy up to 5 per cent of BCH which would make it the new bank's biggest shareholder.

BCH will be the largest private sector bank in Spain, grouping assets worth just over $6bn, although it remains smaller than the recently merged state-owned banks, Argentaria Corporacion Bancaria de Espana.

The deal leaves a question mark over an earlier agreement between Banco Central and the French insurer UAP under which UAP was to have taken 25 per cent of Vasco Navarra while Central took a similar stake in UAP's Spanish affiliate, UAP Iberica.

That agreement was struck before Central and Hispano were rushed into a merger last spring by rumours that another Spanish bank was preparing to bid for Hispano.

It was being suggested in Madrid that UAP and Generali were negotiating a separate alliance, of which the Italian group's entry into BCH and its insurers would be a part. Both UAP and Generali will market their products in Spain through the BCH network.

If Generali does buy 5 per cent of BCH – it would cost some $400m – it would, for the time being, be its biggest shareholder.

However, Commerzbank, which until the merger had a 10 per cent stake in Hispano, has said it wanted to raise its diluted position in the new merged bank back to around 10 per cent.

BCH's other large shareholders are all French – the Bouyges construction group will have around 2 per cent and UAP and Elf Aquitaine about 1.5 per cent.

The French investors have all been brought to the merger by Central, which originally attracted them by offering stakes in, or co-operation with, the construction, insurance and oil refining operations in its large industrial empire.

Friday's agreement underpins the massive entry in the past few years by foreign groups into the rapidly growing Spanish insurance market.

AGF of France has recently agreed to buy heavily into the insurance operations of another Spanish bank, Banesto. Allianz of Germany has taken a stake in Banco Popular to distribute its product through the bank's network.

Norwich Union of the UK bought Plus Ultra from Banco Bilbao Vizcaya after the bank – a merger of bancos Bilbao and Vizcaya – decided to jettison duplicated insurance businesses.

# Stock market high flier in a troubled year

**Jane Fuller on Airtours rapid take-off and the holiday group's rising fortunes**

AT THE start of this year, it would have seemed madness to suggest that a company exposed to the twin afflictions of the Gulf crisis and the UK recession would end up as the highest rising UK stock of 1991.

Airtours, the Lancashire-based package holiday company, has achieved just that. It opened at 170p and stood at 894p on Friday, having touched 923p in November.

Along the way, when companies in a battery of sectors were issuing profit warnings, Airtours had to tell the market to revise expectations upwards. It recently confirmed that its pre-tax profit multiplied more than four times from £6.3m to £27.5m in the year to September 30.

Airtours carried nearly 1.2m Britons to destinations ranging from Malta – the first one it offered 11 years ago – to Kenya, Florida and the Caribbean. This compares with about 150,000 in 1984-85, just before it extended its departures from Manchester airport to Glasgow, Newcastle, Birmingham and East Midlands.

This year it made its first forays from Gatwick, where part of its new aircraft fleet – soon to be extended from five to eight – is based.

The background was a declining market. According to Canadian-controlled Thomson Holidays, which is way out in front with a one third share against Airtours' 13 per cent, the number fell from 11m in 1990 to about 10.3m this year.

The decline was not as bad as had been feared when the Gulf war stifled travel and the UK recession was deepening. Mr Bruce Jones, leisure analyst at Smith New Court, attributes holidaymakers' resilience to the "sod it factor". After 50 lousy weeks of high mortgages and squeezed spending, they want those two weeks in the sun.

Falling demand was, in any case, more than compensated for by the collapse of the second biggest operator – Mr Harry Goodman's International Leisure Group, which had nearly 20 per cent of the market. As one analyst remarked, it was like Tarmac dropping out of house building.

One of the ironies was that Intasun, ILG's holiday operation, was profitable. It was dragged down by the grandiose failure of Mr Goodman's plan to develop a scheduled airline, Air Europe.

Airtours benefited along with Thomson and Owners Abroad, which says it has carried 1.9m people in the past 12 months – the first full year since its takeover of Redwing.

In any case, the fall in the number of holidays – by up to 2m since 1988 – has not been bad for profitability. "They have only shed the bit that was making no money," Mr Jones says.

In the years of collective madness on the part of the operators, tourists were being lured to the Mediterranean for as little as £29 for a return flight.

The 1986-88 price war was triggered by ILG flying too close to Thomson. Mr Chris Newbold, managing director of Thomson Holidays, warns that it could happen again. "As long as we have a third of the market we are reasonably happy. If anything happens to threaten that, we will react very strongly." Thomson is also anxious to guard against the number two gaining more than 20 per cent of the market.

He says the only way to conduct a war is on price. "We will not stay out of a price war and when we join in there is much blood on many walls."

Meanwhile, in the calm post-ILG, he says the average price of a package holiday (typically two weeks in a Mediterranean resort) is £350 compared with £250 in the cut-price years.

He suggests that the next skirmish will revolve around competition between Airtours and Owners Abroad for the number two spot. However, this goes against the public pronouncements of both organisations.

MR David Crossland, Airtours founder and owner of 38 per cent of the shares, says: "Being public companies, neither of us wants to create a price war. It does not matter whether we are second or third, what matters is the return for shareholders."

While price cutting remains the most frequently mentioned worry about the sector, it has always been seen as risky. Mr Goodman showed all too clearly how winners can become losers. He started in the 1960s when the package holiday business was in its infancy. Intasun took off in 1974 after the collapse of Clarkson and enjoyed a similar boost in the early 1980s after Laker's demise. Now Intasun's carcass has been picked clean by its rivals.

Airtours, which floated in March 1987 at a placing price of 180p a share, did not take long to sour the City. After increasing its pre-tax profit from £130,000 in 1981-82 to just over £2m in 1985-86, it forecast at least £3.25m for next annual results.

It delivered £2m. The price war, air traffic controllers' strikes and terrorism were all cited as an explanation. They could all happen again.

In fact, that performance compared well with competitors and the doubling to £4.1m the following year was even more impressive. Collectively in 1988, the top 30 operators made a profit of only £15.5m, which was 0.5 per cent of their combined turnover.

Airtours continued on its growth path in spite of some problems. On the flying side, there was the "flying pig", a broken down jumbo, and then a bankrupt carrier. Adverse publicity included a row with Lunn Poly, the travel agency owned by Thomson, and some general mud slung at the industry over flight delays and poor accommodation.

Quality questions are still raised about the mass-market operation, especially as it has grown so quickly. Mr Crossland says: "The industry gets about 4 per cent of customers complaining and we don't get more than that."

Although Airtours will not see another leap forward on a par with this year, it is setting out its stall for further growth. It hopes to carry another 200,000 to 300,000 holidaymakers, taking its market share to 16 per cent. Barclays de Zoete Wedd, its broker, is forecasting that pre-tax profit will rise to £35m, giving an apparently undemanding prospective p/e of less than nine.

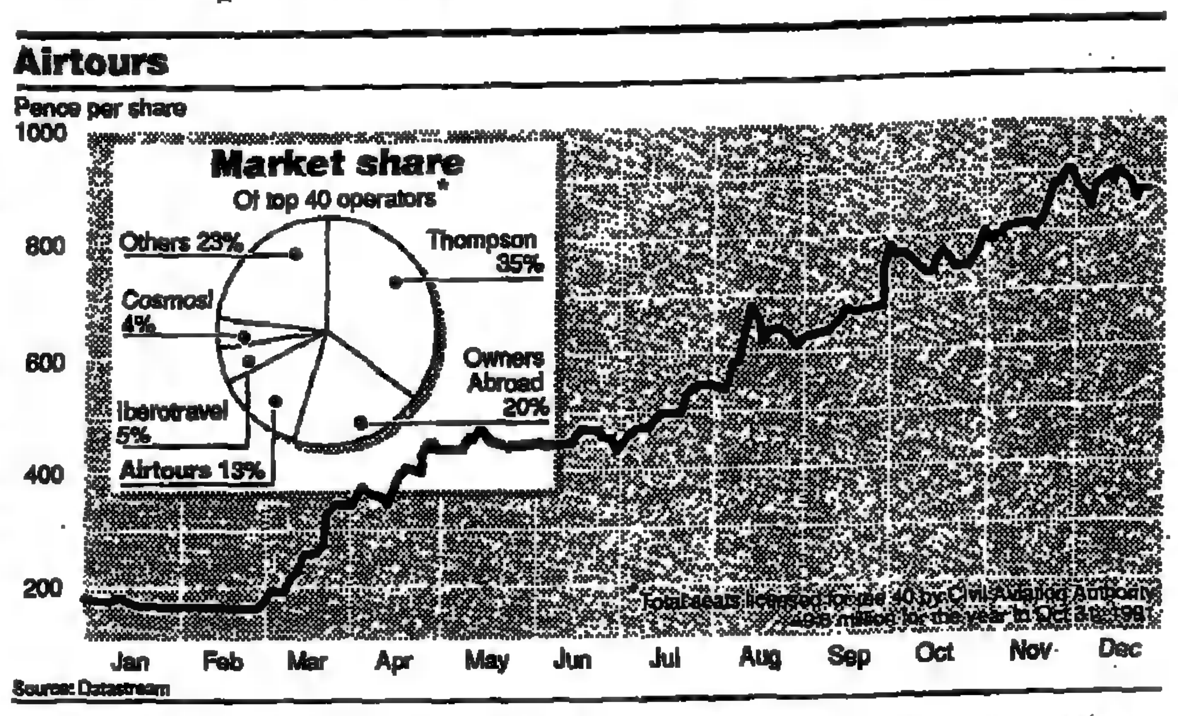
But the burning question is: what will it do with its cash, which amounted to £108m at the end of September?

An obvious possibility is acquisitions. Airtours nearly bought a skiing holiday company last winter. It may also re-enter the travel agency business, which is how Mr Crossland started in 1972.

Expansion of the airline beyond fulfilling the group's own requirements, based on winter load, has so far been ruled out.

The answer given by Mr Hugh Collinson, managing director, is that "in the broad field of leisure, there are numerous opportunities". The group already has the UK's second largest self-drive camping holiday operator and will this year start trips to EuroDisneyland, part of its growing interest in short breaks.

One analyst remarked that it was the sober, sensible character of the directors that had set the scene for Airtours' re-rating post the ILG crash. The question for the future is whether it can maintain this image after such a heady year.



Source: Datastream

# MGN sells Quebecor Printing holding

**By Robert Gibbens in Montreal**

MR Pierre Peladeau, the Quebec publisher, now owns all of North America's second largest commercial printing group after buying a stake of almost 26 per cent from Mirror Group Newspapers for C$110m (US$96.4m).

Quebecor Printing, which has 56 plants in the US and Canada, has annual sales of C$1.5bn and includes the largest Canadian banknote producer. The company has C$576m debt.

The late Mr Robert Maxwell sold the US end of the business to Quebecor, Mr Peladeau's holding company, in 1988 for C$510m.

Mr Peladeau, a successful commercial printer for 30 years, then merged his Canadian printing plants with the US acquisition to form Quebecor Printing. Mr Maxwell retained 25.8 per cent in the new company, with a stated value of about C$100m.

In October 1990 he transferred this holding from a private Canadian company to MGN, showing a value of C$123m.

The value of MGN's Quebecor Printing stake was set two weeks ago by London and Montreal investment bankers, and the deal was quickly completed for C$110m, financed from Quebecor's cash resources.

Mr Peladeau says he will take Quebecor Printing public in North America when markets improve.

He was helped in the 1988 acquisition by Quebec's public pension plan. It bought C$134m of Quebecor Printing debentures, convertible into 22.3 per cent of its common shares.

Mr Maxwell became a partner of Mr Peladeau in 1987 when they bought 51 per cent of Donohue, a Quebec pulp and paper producer, from two Quebec government agencies. It was Mr Maxwell's first sally into Canada and was backed by a leading Canadian bank.

Donahue is a highly efficient newsprint producer, exporting mainly to the US, but also a supplier to MGN since 1988. It was hit badly by poor prices in 1991.

Mr Peladean wants to buy out MGN's indirect 25 per cent stake in Donahue, worth well over C$100m, say analysts, but valuation has not yet been completed.

Quebecor, publicly held but controlled by Mr Peladeau and his two sons, operates Canada's second largest daily newspaper, the Journal de Montreal, and a large string of regional weekly newspapers and magazines. The family is also a large property owner in Montreal.

- The fate of Mr Maxwell's newspaper The European may be decided at a meeting today. A buyer, thought to be British, is understood to have worked out a deal with the administrators.

Journalists have been put on standby to produce the newspaper in January. Potential Belgian and Italian buyers who expressed an interest in the newspaper are believed to have pulled out.

# Campeau may change name in restructuring

**By Robert Gibbens in Montreal**

CAMPEAU CORP has called special shareholder and creditor meetings in Toronto on January 28 to seek approval of its financial restructuring programme and for the company to change its name to Camdev.

The overall restructuring, into a solely property operation, must be approved by a two-thirds majority of the common and preferred shareholders and of secured and unsecured creditors. In all cases share exchanges are proposed.

Campeau's former US retail subsidiaries, Allied and Federated Stores, are already being reorganised and Campeau no longer has control of them.

- A group led by Mr Mark Anderson, former manager of the Cannon gold mine in Washington State in the US, is trying to finance a bid for Asamera Minerals, put up for sale three years ago by Gulf Canada Resources, part of the Reichmann brothers' resource portfolio.

Cannon has produced 150,000oz of gold annually since 1986 and 200,000oz of silver. A 51 per cent interest in the mine is Asamera's main asset.

The Anderson group seeks the Cannon mine and Asamera's undeveloped gold properties in northern Canada and the US.

# Govett to discuss defence against possible bid

**By Peter John**

GOVETT ATLANTIC Investment Trust is to meet this week to discuss its defence strategy against a possible bid from Mr Andrew Shechtel, a US entrepreneur.

The decision follows notification that Mr Shechtel had acquired just over 5 per cent of the group.

In 1988, as managing partner of American investment group AJS Partners, he acquired a 27 per cent stake in Drayton Japan, the MIM-managed investment trust.

Following a fierce fight with Lord Stevens, chairman of United Newspapers, for control of the assets, he won the agreement of shareholders to liquidate the trust.

This week's meeting will discuss ways of raising the value of Govett's shares. Investment trust shares typically trade at less than the value of the underlying assets and in Govett's case the margin is about 15 per cent.

Mr Alan McLintock, Govett's chairman, said yesterday: "I understand the investor has a previous record of stake building. I am confident that we can resist an approach if we can satisfy the shareholders and I think we have every chance of doing that. The board's objective through the management is obviously to narrow the discount between the asset value and the market and that is what would be discussed when we meet in the course of this week," he added.

He said among options under discussion would be the possibility of converting from an investment to a unit trust or a capital reconstruction.

In November, Govett's largest stakeholder, Sequoia Investment Trust sold its entire 23.5 per cent stake, some 19m shares, at below the then market price. Mr Shechtel bought just over 4m and the rest were sold to more than 30 institutions.

Govett Atlantic invests primarily for capital growth and principally in North America. The trust's shares, which rose steadily to peak at 190p in September, closed at 162p on Friday, giving the trust a market value of £131.3m ($236.34m).

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **ECUs** | | | | | | | |
| Swedish Exp.Credit(d)† | 50 | 1994 | 2 | 9¼ | 100 | Nikko Europe | 9.227 |
| European Community† | 250 | 1997 | 5 | 8⅝ | 99.73 | Credit Lyonnais | 8.679 |
| **US DOLLARS** | | | | | | | |
| Pasa Petroquimica(h)‡† | 25 | 1996 | 5 | (h) | 95.83 | Merrill Lynch | - |
| Toronto Dominion† | 41 | 1993 | 1.167 | zero | 95.05 | Sanwa Int. | 4.446 |
| Rosa 2(i)‡† | 300 | 2002 | (i) | (i) | 100 | Nomura Int. | - |
| **D-MARKS** | | | | | | | |
| Euro.Coal & Steel(e)† | 700 | 1996 | 5 | 8⅝ | 101.90 | Dresdner Bank | 8.142 |
| Euro.Coal & Steel★★† | 98 | 2001 | 10 | 8¼ | 100½ | Dresdner Bank | 7.967 |
| **YEN** | | | | | | | |
| Mitsubishi Estate(b)† | 30bn | 1996 | 5 | (b) | 100.10 | Nikko Europe | - |
| Koito Manufacturing† | 10bn | 1999 | 7¼ | 6½ | 101.45 | Yamaichi Int. | 6.239 |
| AB Spintab(c)♦† | 15bn | 2002 | 9¼ | (c) | 100 | Merrill Lynch | - |
| Nissho Iwai Corp† | 20bn | 1997 | 5¼ | 6.40 | 101⅛ | Nomura Int. | 5.994 |
| Mitsubishi Warehouse† | 10bn | 1997 | 5¼ | 6.35 | 101.46 | Yamaichi Int. | 6.012 |
| Sth.Aust.Govt.Fin.† | 30bn | 1995 | 3 | 6 | 100.70 | Nomura Int. | 5.739 |
| Nissan Cap.America† | 35bn | 1997 | 5¼ | 6.2 | 101¼ | Daiwa Europe | 5.797 |
| Takashimaya† | 30bn | 1999 | 7¼ | 6.3 | 101⅜ | Nomura Int. | 5.980 |
| Asahi Breweries† | 30bn | 1997 | 5¼ | 6.3 | 101½ | Nomura Int. | 5.952 |
| Nissan Cap.America† | 20bn | 1998 | 6¼ | 6¼ | 101⅝ | Daiwa Europe | 5.925 |
| Furukawa Electric† | 10bn | 1997 | 5¼ | 6¼ | 101⅝ | Daiwa Europe | 5.874 |
| Daicel Int.Fin.BV† | 10bn | 1997 | 5 | 6.3 | 101¾ | Nomura Int. | 5.866 |
| **GUILDERS** | | | | | | | |
| Bque.Indosuez† | 600 | 2004 | 12 | zero | 36.64 | Bque d'Suez | 8.801 |
| Goldman Sachs Group† | 200 | 1997 | 5 | 9⅜ | 100.85 | Rabobank | 9.156 |
| **SWISS FRANCS** | | | | | | | |
| Magara Constr.(f)★★♦† | 60 | 1996 | - | 4¼ | 100 | Coutts & Co | 4.750 |
| Kawasaki Elec.(g)★★♦† | 100 | 1997 | - | 4⅞ | 100 | Gottard Bank | 4.875 |
| Fujikura(a)★★♦† | 100 | 1996 | - | 5¼ | 100 | UBS | 5.250 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Minit Int.★★† | 500 | 1997 | 5 | 9¼ | 102⅛ | KBL | 9.201 |

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate notes. ♦Variable rate note. †Final terms. a) Exercise premium fixed at 2.62%. Non-callable. b) Coupon pays 55bp below Japanese Long Term Prime Rate and is payable semi-annually. Non-callable. c) Coupon pays 3-month Libor + 85bp for first 3 months, then alternate margin 3-month Libor + 110bp until March 1997, then 3-month Libor + 160bp thereafter or alternate margins of 1⅜% and 1⅞% respectively if subordinated debt below AAS or on creditwatch in first 3 months. Callable at par on coupon dates from March 1997. d) Fungible with existing Ecu350m deal from February 1992. e) Amount increased from DM600m. Non-callable. f) Exercise premium fixed at 2.5%. Callable 8/1/94 at 101%, declining ¼% semi-annually. g) Exercise premium fixed at 2.5%. Non-callable. h) Deal issued under Argentine Law and will amortise in equal amounts from December 1992. Coupon pays 9% until 8/1992, then 6-month Libor + 3¼% thereafter. i) 3 tranches: tranche A $150m, coupon pays 3-month Libor + 65bp. Average life - 5 years. Tranche B $90m, 3-month Libor + 135bp, 6 years. Tranche C $60m privately placed. Note: Yields are calculated on AIBD basis.

## CROSS BORDER M&A DEALS

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Anglo Irish Bank Corp (Ireland) | Unit of Hill Samuel (UK) | Financial services | est £28m | Non-core disposal |
| Cash America Investments (US) | Unit of Harvey & Thompson (UK) | Pawnbroking | £14.5m | Non-core disposal |
| Peek (UK) | Unit of EB Signal (Norway) | Traffic control | £5.9m | Cash and paper deal |
| SG Warburg (UK)/ Glubergia (Italy) | Glubergia Warburg (JV) | Financial services | £4.6m | Starts trading January 7 |
| Benckiser (Germany) | Unit of Pollena (Poland) | Detergents | £2.8m | Sector sale continues |
| Gamlestaden (Sweden) | Bullers (UK) | Giftware | £1m | Part of rescue package |
| Iceland Frozen Foods (UK) | Au Gel (France) | Food retailing | £0.98m | Iceland buys half |
| Charterhouse fund (UK) | Incentive Development (Sweden) | Scientific instruments | n/a | Incentive refocussing |
| RTZ Corporation (UK) | Unit of Cyprus Minerals (US) | Talc production | n/a | RTZ doubling market share |
| C Itoh (Japan) | Plastibution (UK) | Plastics distribution | n/a | More Cookson disposals |

Source: FT Mergers + Acquisitions International

# INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

## Participants reap the benefit of a year with record new issues

TO SAY that most Eurobond firms are hoping for the global economic slow-down to continue may be over-stating the case, but 1991 proved that the onset of recession and declining interest rates are generally good for bonds.

While equity markets turned in a patchy performance over the year, bond markets boomed. New issue volume in the international bond market hit a record $228bn equivalent. Anecdotal evidence suggests that most market participants received year-end bonus cheques of healthy proportions.

Nomura maintained its top position among lead managers of new Eurobond issues, with a market share of 9.4 per cent, down slightly on 1990. Daiwa moved from fourth place back up to the second spot it held in 1989, increasing market share from 4.7 per cent to 6.95 per cent.

Both firms were supported by the flow of equity warrant bond issues from Japanese companies, a sector which saw a revival following a dismal performance during 1990. Despite volatile equity prices in Japan, warrant bond issues totalled $26bn equivalent this year, against $19.7bn in 1990.

However, the Japanese equity warrant business remains well below the $63bn peak it reached in 1989. Both Nomura and Daiwa must take credit for diversifying their activity into other sectors of the market.

**TOP EUROBOND LEAD MANAGERS**

| Manager | 1991 $bn | 1991 Rank | 1991 % | 1991 Issues | 1990 $bn | 1990 Rank | 1990 % | 1990 Issues |
|---|---|---|---|---|---|---|---|---|
| Nomura | 21.33 | 1 | 9.39 | 121 | 15.80 | (1) | 9.98 | 103 |
| Daiwa | 15.77 | 2 | 6.95 | 97 | 7.52 | (4) | 4.74 | 57 |
| CSFB | 14.71 | 3 | 6.48 | 60 | 9.15 | (2) | 5.77 | 44 |
| Deutsche Bank | 14.31 | 4 | 6.30 | 78 | 8.25 | (3) | 5.20 | 48 |
| Paribas | 10.99 | 5 | 4.84 | 26 | 5.07 | (9) | 3.20 | 24 |
| Yamaichi | 10.17 | 6 | 4.48 | 74 | 5.27 | (7) | 3.32 | 36 |
| Nikko | 9.76 | 7 | 4.30 | 73 | 6.41 | (6) | 4.04 | 38 |
| Goldman Sachs | 9.67 | 8 | 4.26 | 50 | 3.84 | (15) | 2.42 | 17 |
| Morgan Stanley | 9.27 | 9 | 4.08 | 17 | 2.59 | (23) | 1.63 | 17 |
| SBC | 7.84 | 10 | 3.45 | 34 | 2.84 | (20) | 1.79 | 19 |
| UBS | 6.95 | 11 | 3.06 | 33 | 5.21 | (8) | 3.28 | 18 |
| Merrill Lynch | 6.74 | 12 | 2.97 | 38 | 4.74 | (10) | 2.99 | 37 |
| Morgan Guaranty | 6.55 | 13 | 2.89 | 35 | 6.94 | (5) | 4.38 | 28 |
| SG Warburg | 6.45 | 14 | 2.84 | 27 | 3.96 | (14) | 2.49 | 16 |
| Credit Lyonnais | 6.08 | 15 | 2.68 | 24 | 3.27 | (18) | 2.06 | 20 |
| CCF | 5.37 | 16 | 2.37 | 21 | 4.53 | (11) | 2.86 | 25 |
| IBJ | 5.17 | 17 | 2.28 | 23 | 4.46 | (12) | 2.81 | 43 |
| Dresdner Bank | 5.05 | 18 | 2.22 | 31 | 1.77 | (29) | 1.11 | 12 |
| Hambros Bank | 4.12 | 19 | 1.82 | 51 | 2.69 | (21) | 1.69 | 42 |
| CIBC | 2.84 | 20 | 1.25 | 22 | 0.71 | (42) | 0.45 | 7 |
| Industry totals | †228.22 | | | 1300 | 159.57 | | | 1115 |

† Preliminary Figures - Full credit to book runner

Source: IFR BONDBASE

Both firms also maintained their position in the international market, despite the scandals which rocked the "big four" Japanese securities houses at home.

Salomon Brothers was less fortunate. The firm's slide from 13th to 21st position in the table may, in part, be attributed to the scandal in August surrounding the manipulation of US Treasury bond auctions.

In addition to generally favourable market conditions, most Eurobond firms are also more focused than a year ago. The aggregate figures hide a range of different styles of business.

For example, Morgan Stanley has concentrated on handling big liquid bond issues for sovereign and supranational borrowers. Its rise to ninth position, from 23rd last year, can be attributed to just a handful of memorable deals.

The firm lead managed just 17 deals, the same as in 1990. But these included the UK government's Ecu2.75bn 10-year issue in February and the European Bank for Reconstruction and Development's debut Ecu500m five-year issue in September. Both must be on any short-list for "deal of the year".

Paribas also benefited from its long-term investment in the Ecu sector of the market, moving to fifth place from ninth place in 1990. Ecu bond issuance totalled $30bn equivalent this year, against $17bn in 1990.

Goldman Sachs drew wide praise for a number of creative transactions, including the issue of Ecu400m zero-coupon bonds "stripped" from Italy's 20-year issue. The firm rose to eighth from 15th place.

Swiss Bank Corporation re-established itself as a top lead manager in many sectors, including transactions for borrowers from the emerging markets of Latin America. This contributed to the firm's rise to 10th place in the league table, from 20th in 1990.

Lower down the table, a number of firms continued to successfully exploit a niche position. Hambros, for example, specialised in the distribution of bonds through continental European banks, mainly in Australian and Canadian dollars. Helped by a boom in the Canadian dollar sector, the firm moved up to 19th place from 21st position in 1990.

Fewer firms now try to offer a full new issue service in all the main currency sectors, backed by a strong secondary market presence. But the days of the Eurobond "supermarket" are not quite over.

The top firms can still attribute their market share to the sheer range of financial products they are able to distribute.

Credit Suisse First Boston, for example, won not only big sovereign and supranational mandates but also prestige corporate deals. It handled both Hanson's £500m convertible bond offering in April and British Gas's £350m 10-year deal, one of the largest ever corporate Eurobond issues, in March.

Deutsche Bank Capital Markets also maintained a capability in most sectors of the market and now looks set to take a slice of the Eurosterling sector once it is established as a market-maker in UK government securities.

Both CSFB and Deutsche Bank improved market share in 1991, to 6.5 per cent and 6.3 per cent, respectively. Whether market share has been "bought" at the expense of profitability is a topical point. The year was been memorable for vigorous and open discussion on the correct balance between profitability and competitiveness in the Eurobond market.

The debate even drew interest from the Office of Fair Trading in July, although the UK competition watchdog later concluded that competition for new issue mandates remains intense.

The year has certainly seen its fair share of deals which were too large or too expensive – often the result of fierce competition for new issue mandates among leading firms.

A full list of over-ambitious deals might include the European Community's two

**EUROBOND ISSUES BY CURRENCY**

| 1991 Rank | Currency | 1991 Total raised ($bn) | 1991 No. of issues | 1990 Rank | 1990 Total raised ($bn) | 1990 No. of issues |
|---|---|---|---|---|---|---|
| 1 | US$ | 69.82 | 378 | 1 | 60.12 | 335 |
| 2 | Yen | 33.74 | 195 | 3 | 20.05 | 251 |
| 3 | Ecu | 30.56 | 89 | 4 | 17.02 | 78 |
| 4 | Sterling | 25.31 | 128 | 2 | 20.24 | 85 |
| 5 | C$ | 18.12 | 120 | 8 | 5.34 | 55 |
| 6 | D-Mark | 17.83 | 145 | 5 | 14.95 | 103 |
| 7 | FFr | 15.86 | 79 | 6 | 8.66 | 50 |
| 8 | Lira | 9.08 | 55 | 7 | 5.90 | 33 |
| 9 | A$ | 4.04 | 58 | 9 | 4.76 | 89 |
| 10 | Guilder | 2.18 | 14 | 10 | 1.11 | 9 |

Source: IFR BONDBASE

Ecu500m deals launched on the same day in February, lead managed by Dresdner Bank and CSFB; Sandoz's $500m warrant bond issue launched in September by UBS Phillips and Drew; Prudential Funding's $300m 10-year deal lead managed by CSFB in October.

The departure from UBS Phillips & Drew of Mr Phillipe Truffert, a principled and highly respected defender of Euromarket profitability, highlighted the conflict between the maintenance of profit margins and the pursuit of market share.

It is impossible to judge the relative profitability of UBS Phillips & Drew, since Eurobond firms do not file separate accounts. However, the firm slipped from eighth to 11th in the lead management league table this year, the lowest placed of the "big three" Swiss banks.

This slippage in the firm's league table position may have arisen, in part, from its unwillingness to reduce fees or price new issues imprudently in order to win mandates. Market participants are asking whether the new management, under Mr Len Harwood, will be more flexible.

The dilemma is not new or unique to UBS Phillips & Drew. The question of profitability and market share has taken on additional urgency this year.

This year Eurobond firms have been assisted by rising bond prices in most leading currencies. It is easy to be aggressive and to underwrite tightly priced bond issues in a rising market.

But market participants are aware that the same questions of profitability will be asked in 1992, and market conditions may be less favourable.

**Simon London**

## Brazil to ease sell-off rules for foreigners

By Victoria Griffiths in Sao Paulo

THE Brazilian government is set to ease rules for foreign participation in its national privatisation programme.

Under new regulations to go into effect next year, foreigners would no longer have to wait two years to re-sell stock in the privatised companies or repatriate profits and dividends.

The time foreigners are required to maintain their funds in the country will also be reduced from 12 years to six years.

"We hope the easing of regulations on foreign investment will stimulate foreigners' interest in Brazilian privatisation," said Mr Ricardo Figueiro, chief of staff for the privatisation support programme at the National Development Bank.

The Brazilian government has adopted the new rules because of disappointment over foreigners' poor showing in the first few privatisation auctions.

The country's privatisation programme received a hard blow when the federal congress approved a law guaranteeing the state oil company Petrobras a large share – 33 per cent – of all companies privatised in the petro-chemicals sector.

The law is expected to make the auction of companies in the petro-chemicals sector difficult but there is a possibility it will be blocked by presidential veto.

**EUROMARKET TURNOVER ($m)**

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 457.9 | 1.3 | 48.0 | 6,658.0 |
| Prev | 2,616.3 | 30.0 | 262.1 | 13,697.4 |
| Other | 3,328.6 | 0.2 | 359.8 | 4,059.6 |
| Prev | 5,067.1 | 0.8 | 194.3 | 7,769.6 |
| **Secondary Market** | | | | |
| US$ | 15,519.9 | 489.0 | 4,525.1 | 5,322.6 |
| Prev | 26,056.1 | 1,049.4 | 6,765.3 | 9,258.7 |
| Other | 28,587.3 | 595.2 | 2,567.7 | 57,581.4 |
| Prev | 53,163.7 | 690.0 | 3,842.2 | 99,284.9 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 13,408.0 | 19,413.8 | 32,821.8 |
| Prev | 20,316.2 | 39,416.1 | 59,732.3 |
| Other | 35,264.3 | 61,755.5 | 97,019.8 |
| Prev | 52,460.9 | 117,551.7 | 170,012.6 |

Week to December 24, 1991

Source: AIBD

US SYNDICATED LOANS

## Banks finish strongly following a re-evaluation of capital positions

IT HAS been a stop-start year in the US syndicated loans market.

The opening months of 1991 were unusually quiet, a hangover from the rise in pricing in the second half of 1990.

The pricing of syndicated deals had firmed partly because US banks had sought to improve the return on their capital in the wake of rising loan problems and partly because of the tougher capital adequacy requirements, both from domestic regulators and from the Bank for International Settlements (BIS), the international banking watchdog.

In the first four to six months of 1991, banks struggled to re-evaluate their position in the syndicated loans market. It was not, however, until the end of the second quarter and the early part of the third quarter that business picked up as banks became more confident of their capital positions and their business priorities.

Portfolio management became the guiding philosophy among bank lenders as they attempted to manage their loan books with greater care and conservatism.

Having become fearful of over-exposure to particular borrowers or industries, banks concentrated on diversification and on achieving a better balance between price and credit quality.

The aim was to make their capital work more efficiently in a more controlled risk environment.

One natural consequence of this trend was that banks moved away from lending to highly leveraged companies (or, in those cases where they did lend to such companies, they exacted a higher price for their capital) and concentrated on companies which had stronger balance sheets and with which they had long-established business relationships.

One senior banker in New York estimated that in 1990 about 25 per cent of the $254bn in new syndicated loan issues to US companies went to highly leveraged transactions (HLTs).

By comparison, he predicted that by the end of 1991 the total volume of loans will be slightly below the level in 1990 (new issues totalled $160bn in the first three quarters of the year), with HLTs dropping to about 13 per cent of the total.

US banks have not been alone in taking up portfolio management. Even the best capitalised European banks reviewed their approach to the US market. As one senior Swiss banker put it: "European banks are now thinking the way US banks have been forced to think, not because of capital pressures, but because of profitability pressures."

Portfolio management apart, the other big factor driving up prices this year has been the departure of the Japanese from the US market.

Worried by capital adequacy requirements, burdened by real estate loan problems and forced to shrink lending because of the weak state of the Tokyo stock market, Japanese banks have scaled down their involvement in the US – as well as non-US – syndicated loans market.

Whereas before mid-1990, Japanese banks as a group would typically take up as much as 40 per cent of a syndication, they now rarely swallow more than 15 per cent, industry analysts claim.

If tougher pricing, the withdrawal of Japanese capital, and portfolio management have been important trends of 1991, so has the shortening of maturities on syndicated deals by ever more cautious bank lenders.

One-year deals (known as "three-sixty-fours") have become especially popular with capital-strapped banks. The reason is simple: a loan arrangement of a year or less does not carry capital commitments under BIS rules.

The trend towards shorter maturities, however, has created difficulties for those borrowers who use syndicated bank loans as a form of credit insurance – in other words, a facility they can turn to if they encounter unexpected problems raising money in the short-term securities markets.

A one-year credit insurance facility is not much use to companies who prefer to arrange standby finance over longer periods.

**Patrick Harverson**

# INTERNATIONAL CAPITAL MARKETS

UK GILTS

## Danger lurks in time of uncertainty

FOR investors in gilt-edged securities, 1992 will be a year of living dangerously.

The generally good prospects for bond markets worldwide caused by weak economies in many developed nations are likely to have an impact on demand for gilts, pushing down yields and increasing prices.

Yields in most bond markets have fallen substantially since the summer, when deflationary conditions in many countries persuaded more investors to put funds into fixed-interest debt-related securities rather than equities or cash.

On the other hand, worries about the UK government's political fortunes may well dampen any upward movement in gilt prices over the next few months.

Expectations that the Conservatives' popularity could plummet as a result of the government's failure to deliver a strong economic recovery – so letting in Labour at next year's election – could depress a gilt market which tends to equate a Labour government with disaster.

The likely glut of gilts over the next year as the Bank of England issues new bonds to pay for public sector spending in a deteriorating environment for the sector's finances may also take off the gloss from prospects for gilts. The extra bonds may lead to depressed prices, forcing up yields.

A further negative for gilts in relation to other European government bonds concerned progress towards European economic and monetary union.

With the UK having demonstrated less than total enthusiasm for the concept, overseas investors may have their doubts about the country's interests in making sure inflation and interest rate patterns converge with those in the rest of Europe.

**GOVERNMENT BOND PERFORMANCE 1991**

| | UK | US | Japan | Germany | France |
|---|---|---|---|---|---|
| Yields (%): end 1990 | 11.26 | 8.30 | 6.84 | 8.98 | 9.98 |
| peak in 1991 | 11.26 | 8.53 | 6.93 | 9.02 | 10.07 |
| trough in 1991 | 9.72 | 7.17 | 5.75 | 8.12 | 8.73 |
| mid-Dec 91 | 9.87 | 7.17 | 5.83 | 8.12 | 8.77 |
| Change to mid-Dec (basis points): | | | | | |
| During year | −139 | −113 | −101 | −86 | −121 |
| Since peak | −139 | −136 | −110 | −90 | −130 |
| Since trough | +15 | 0 | +8 | 0 | +4 |

Source UBS Phillips and Drew

That in turn could lead funding institutions to take a rosier view of prospects for, say, French or German bonds than for UK gilts and to progressively withdraw money from the British securities.

Some of the problems that may be around the corner for gilts have been discernible in the past few months – even though for 1991 as a whole investments in gilts have performed more than adequately.

Over the year, the good run for gilts is illustrated by a degree of yield reduction more marked than for any other leading government bond.

The 10-year UK government bond has seen a decrease in yield during 1991 of 139 basis points (1.39 per cent) with a consequent increase in prices. The next best performer, as shown in the table based on 10-year bonds and with yields calculated by UBS Phillips & Drew, was German bonds, which saw a yield decline of 121 basis points.

The large cut in gilt yields over the year has been due most notably to the UK's progress in reducing inflation as the recession has squeezed demand, plus investors' more positive view on the outlook for lower interest rates over the longer term, thanks to Britain's entry 15 months ago into the European exchange rate mechanism.

It caps a good two-year spell for gilts, in which yields have fallen by a net 116 basis points for a 10-year instrument. In contrast, since the beginning of 1990 yields on equivalent US and French bonds have fallen by 98 and 62 basis points respectively, while yields for Japanese and German bonds have risen by 13 and 73 basis points.

During 1991 all the main government bonds saw a peak in yields in the first seven months, in the case of gilts right at the start of the year. Although circumstances differed between countries, this was largely due to worries about a future inflationary surge, perhaps sparked by fears related to the Gulf war or expectations of a robust world recovery.

In all cases, yields have come down with a rush since the peak, by a net 130 basis points or more for UK, US and French securities. However, in the past few weeks the downward movement for gilts has been distinctly less marked compared with that of other main bond markets.

The UK instruments fell to a low point for the year in terms of yields in mid-October. Since then yields have risen by 15 basis points, largely due to worries about the government's poll ratings and a lack of evidence about a strong recovery which could have boosted the Conservatives' political fortunes.

All the other bond markets, meanwhile, have either (in the case of Germany and the US) reached the end of the year still with yields at their troughs for 1991 or (for Japanese and French bonds) have shown a very small increase in yields since their respective low points. For Japanese and French bonds, these yield increases have amounted to just 8 and 4 basis points respectively.

As for the next few months, many bond specialists believe the world economic environment will stay favourable for the bonds. "The outlook for growth is fairly flat," said Mr John Shepperd, of Warburg Securities.

For Britain, worries about sterling's ERM position, and the possibilities of the UK having to go along with other members of the mechanism in increasing interest rates, to follow Germany's lead earlier this month, will probably restrain any downward movement in gilt yields in the next few weeks.

"There is a fear in the market that lower interest rates in Britain cannot be guaranteed without a devaluation of the currency," said Mr Malcolm Roberts, of UBS Phillips & Drew.

A longer-term concern for many gilt practitioners relates to EMU.

With a question mark hanging over the UK's wish to participate in a full union by the end of the century, Mr Sanjay Joshi, of Daiwa Securities in London, believes many overseas investors are confused.

"If you were a fund manager in Japan wondering about putting money into a government bond in Europe, you might decide you'd be better off buying an instrument associated with one of the core European currencies, rather than play around with gilts," he said.

**Peter Marsh**

Dealers are debating whether there will be an economic upturn by the middle of the year, or later

US MONEY AND CREDIT

## A subdued end to a tumultuous year

WHILE the US equity markets were ending the year in record-breaking style, the Treasury market spent most of Christmas week in hibernation, primarily because many bond traders stayed away from their desks for the duration of the holiday.

It proved a subdued end to what has been a tumultuous, yet highly profitable year for bonds, with investors enjoying a rate of return of about 14 per cent (including interest payments and capital gains) over the past 12 months.

Although much happened over the year, in one respect nothing changed. As 1990 drew to a close the politicians in Washington, several months after everyone else it seemed, awoke to the fact that the economy was in recession. Now, a year later, the same Bush administration has been forced to face the same uncomfortable fact of life – that the economy is still in recession.

It is a moot point whether today's recession is the one belatedly recognised by policymakers a year ago. The "double-dippers" argue the economy enjoyed a brief Gulf war-related recovery in the spring and summer before slipping into a downturn, whereas the hardline bears claim the country never pulled out of recession in the first place.

What matters to the bond market is not where the economy has been, but where it is going, and again like the end of 1990, economists are debating whether an upturn will occur by the middle of the year, or later.

If the stock market has it right, then the economy could be out of recession by summer, pulled along by a combination of low nominal interest rates (the 3.5 discount rate is the lowest since 1964) and a tax-cutting package that could be passed by Congress in the first few weeks of next year.

Although bond investors may agree with this upbeat outlook, concern about inflation has been restricting gains at the long end, with the market pondering the possibility that the super-charged interest rate cuts of the fourth quarter and some sort of election-year fiscal stimuli from Washington may lead to an overheated economic recovery.

Fears of a revival in inflationary pressures, plus a concern that tax cuts could increase the size of the federal budget deficit and push up long-term market interest rates, have been behind the sharp steepening in the yield curve seen during the last few months of this year. Between January and the last week of December, the spread between two-year notes and 30-year bonds has widened from 150 basis points to 270 basis points.

If over the next month or so the Federal Reserve eases monetary policy again and if substantial tax cuts are unveiled on Capitol Hill, the yield curve could steepen further. Such a steepening, however, might be prevented by a flight of capital from low-yielding short-term governments into riskier, but higher yielding equities. Judging by the sharp gains in the stock market this past week (amid a rally led mostly by retail, rather than institutional, investors), the flight may already have begun.

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 4.00 | 4.00 | 4.75 | 11.00 | 2.00 |
| Three-month Treasury bills | 3.93 | 3.76 | 4.46 | 8.29 | 3.76 |
| Six-month Treasury bills | 4.01 | 3.95 | 4.55 | 7.70 | 3.95 |
| Three-month prime CDs | 4.35 | 4.30 | 4.90 | 7.17 | 4.30 |
| 30-day Commercial Paper | 5.00 | 4.50 | 5.05 | 7.12 | 4.50 |
| 90-day Commercial Paper | 4.50 | 4.20 | 4.85 | 7.02 | 4.20 |

**US BOND PRICES AND YIELDS (%)**

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 103⅛ | +1½ | 6.44 | 6.53 | 6.94 |
| 20-year Treasury | 118⅜ | +1⅛ | 7.24 | 7.35 | 7.70 |
| 30-year Treasury | 105⅛ | +1½ | 7.51 | 7.57 | 7.93 |

Source: Salomon Bros (estimates).

Money supply: In the week ended December 16, M1 rose by 3.3bn to 898.7bn

While the fear of inflation may be keeping a lid on price rises at the long end, the reality of present inflation remains highly favourable to the Treasury market.

Over the past 12 months, core inflation as measured by consumer prices has dropped from more than 6 per cent to below 3 per cent, an achievement the Fed would probably be prouder of were it not for the fact that many of its critics argue that the Fed's over eagerness to tackle inflation deepened and lengthened the course of the current recession.

All the credit for reducing inflation this year cannot be claimed by the Fed, however, because one of the chief forces in driving down inflation has been lower oil prices.

At the start of this year few could have guessed how low oil prices would be by the year-end, but a swift conclusion to the Gulf war without serious disruption to oil production sent oil prices tumbling in the first quarter, from which they never really recovered.

Moreover, the fact that Kuwait has recently said it wanted to increase its oil output suggests prices will remain low in the coming months.

With the likelihood of further easing by the Fed and continued weakness in the economy ahead, the yield on the long bond should fall from its current level of 7.5 per cent to 7 per cent before the first half of next year is out.

**Patrick Harverson**

**FT/AIBD INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 27

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABN 9 1/8 94 | 200 | 106⅝ | 107⅛ | +⅛ | 6.25 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 110 | 110⅜ | | 6.34 |
| AUSTRIA 8 1/2 00 | 400 | 107¼ | 107¾ | +⅛ | 7.28 |
| BANK OF TOKYO 8 3/8 96 | 100 | 105¼ | 105¾ | | 6.90 |
| BELGIUM 9 5/8 98 | 250 | 112⅛ | 112⅝ | +⅛ | 7.15 |
| BFCE 7 3/4 97 | 150 | 104½ | 105¼ | −⅛ | 6.69 |
| BNP 8 5/8 94 | 300 | 106⅝ | 107⅛ | | 5.78 |
| BRITISH GAS 8 3/8 99 | 350 | 106½ | 107 | +⅛ | 7.23 |
| CANADA 9 96 | 1000 | 109⅜ | 109¾ | | 6.29 |
| CARCO 9 1/4 96 | 650 | 103⅞ | 104⅜ | −⅛ | 8.29 |
| CCCE 9 1/4 95 | 300 | 109⅜ | 109¾ | | 5.96 |
| COUNCIL EUROPE 8 96 | 100 | 105⅞ | 106⅜ | +⅛ | 6.47 |
| CREDIT FONCIER 9 1/2 99 | 300 | 112⅞ | 113⅛ | +⅛ | 7.13 |
| DENMARK 8 1/4 94 | 150 | 106⅛ | 106½ | | 5.66 |
| DENMARK 9 1/4 95 | 1571 | 109⅛ | 109⅝ | | 6.00 |
| ECSC 8 1/4 96 | 193 | 106⅞ | 107⅛ | −⅛ | 6.57 |
| EEC 8 1/4 96 | 100 | 106⅝ | 107¼ | | 6.48 |
| EIB 7 3/4 96 | 250 | 104⅞ | 105⅛ | | 6.46 |
| EIB 9 1/4 97 | 1000 | 111⅛ | 111⅞ | +⅛ | 6.81 |
| ELEC DE FRANCE 9 98 | 200 | 109⅝ | 110⅛ | +⅛ | 7.00 |
| EURO CRED CARD TST 9 94 | 325 | 104½ | 105⅛ | | 7.15 |
| EUROFIMA 9 1/4 96 | 100 | 109⅝ | 110⅛ | | 6.64 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 112⅛ | 112⅝ | +⅛ | 7.08 |
| FINLAND 7 7/8 97 | 200 | 103⅞ | 104⅜ | −⅛ | 6.94 |
| FINNISH EXPORT 9 3/8 95 | 200 | 110 | 110⅜ | +⅛ | 6.34 |
| FORD CAPITAL 9 3/4 97 | 250 | 106½ | 107 | | 8.20 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 109⅜ | 109¾ | +⅛ | 6.84 |
| GMAC 9 1/8 96 | 200 | 104⅞ | 105⅛ | | 7.71 |
| GUINNESS FINANCE 8 94 | 200 | 104⅞ | 105⅛ | | 5.85 |
| IBM INTL FIN 7 3/4 94 | 200 | 104⅛ | 104⅞ | | 5.65 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 103⅜ | 104 | +⅛ | 7.08 |
| INTER AMER DEV 7 5/8 96 | 200 | 104⅛ | 104½ | +⅛ | 6.50 |
| ITALY 8 1/2 94 | 1500 | 107⅛ | 107½ | | 5.64 |
| JAPAN DEV BK 8 96 | 150 | 105⅛ | 105⅝ | | 5.63 |
| KANSAI ELEC PWR 10 96 | 350 | 111⅞ | 112⅛ | | 6.72 |
| LTCB FIN 8 97 | 200 | 103⅛ | 104 | −⅛ | 7.21 |
| NEW ZEALAND 9 94 | 850 | 107½ | 107⅞ | −⅛ | 5.87 |
| NIPPON CRED BK 10 3/8 95 | 150 | 110⅝ | 111⅛ | −⅛ | 6.82 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | 109⅛ | 109⅝ | +⅛ | 6.08 |
| ONTARIO 8 1/2 01 | 600 | 105⅝ | 106 | +⅛ | 7.62 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 111⅞ | 112 | −⅛ | 5.81 |
| OSTER KONTROLLBANK 8 1/2 01 | 200 | 106⅞ | 107¼ | +⅛ | 7.43 |
| PETRO-CANADA 7 1/4 96 | 200 | 102⅛ | 102⅝ | −⅛ | 6.63 |
| QUEBEC HYDRO 9 3/4 98 | 150 | 111½ | 112⅛ | +⅛ | 7.51 |
| QUEBEC PROV 9 98 | 200 | 107⅝ | 108⅛ | | 7.42 |
| SAINSBURY 9 1/8 96 | 150 | 108⅛ | 109⅛ | | 6.95 |
| SAS 10 99 | 200 | 107⅛ | 109 | +⅛ | 8.50 |
| SBAB 9 1/2 95 | 500 | 109½ | 110 | | 6.31 |
| SNCF 9 1/2 98 | 150 | 111⅛ | 112⅛ | +⅛ | 7.18 |
| STATE BK NSW 8 1/2 96 | 200 | 105⅞ | 106⅛ | +⅛ | 6.92 |
| SWEDISH EXPORT 8 3/8 96 | 700 | 106⅞ | 107⅛ | +⅛ | 8.79 |
| TOKYO ELEC POWER 8 3/4 96 | 300 | 108⅛ | 108⅝ | | 6.65 |
| TOKYO METROPOLIS 8 1/4 96 | 200 | 106⅛ | 107 | −⅛ | 6.63 |
| WORLD BANK 8 3/8 99 | 1500 | 107⅛ | 108 | +⅛ | 7.18 |
| WORLD BANK 8 3/4 97 | 1500 | 110 | 110⅛ | +⅛ | 6.55 |
| XEROX CORPN 8 3/8 96 | 100 | 103⅛ | 104⅛ | −⅛ | 7.55 |

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAPROVEN 11 1/8 95 | 200 | 100½ | 101 | +⅛ | 10.92 |
| BK ECON USSR 7 96 | 750 | 65⅛ | 65⅝ | +⅛ | 19.77 |
| BULGARIAN TRADE BK 8 1/2 96 | 200 | 82 | 82½ | +⅛ | 14.07 |
| CZECH OBCHODNI BANKA 10 95 | 350 | 95⅛ | 96 | −⅛ | 11.46 |
| DEUTSCHE FINANCE 7 1/2 95 | 1000 | 96⅞ | 96⅞ | | 8.69 |
| EIB 5 3/4 98 | 400 | 88 | 88 | +⅛ | 8.27 |
| EIB 6 7/8 95 | 300 | 95⅞ | 95⅞ | +⅛ | 8.15 |
| EUROFIMA 6 1/4 98 | 400 | 89⅛ | 89⅛ | +⅛ | 8.38 |
| FIRST INTERSTATE 5 3/4 96 | 100 | 84⅛ | 84⅛ | | 10.24 |
| IND BK JAPAN FIN 5 5/8 96 | 200 | 89⅛ | 89⅛ | −⅛ | 8.73 |
| IND DEV BK INDIA 6 3/8 94 | 200 | 88⅛ | 88⅛ | | 11.00 |
| LUFTHANSA INT FIN 5 7/8 98 | 500 | 86⅛ | 86⅛ | +⅛ | 8.71 |
| NACIONAL FINANCIERA 11 95 | 150 | 101⅛ | 101⅛ | | 10.55 |
| NAT BK HUNGARY 8 96 | 200 | 90⅛ | 90⅛ | | 10.59 |
| QUEBEC HYDRO 6 3/4 99 | 300 | 89⅞ | 89⅞ | +⅛ | 8.68 |
| SWEDEN 6 1/8 98 | 300 | 89⅛ | 89⅞ | −⅛ | 8.38 |
| WORLD BANK 0 15 | 2000 | 19 | 19 | −⅛ | 7.17 |
| WORLD BANK 5 3/4 96 | 300 | 91 | 91⅛ | | 8.36 |
| WORLD BANK 7 1/8 95 | 500 | 97⅛ | 97⅛ | | 8.22 |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ASIAN DEV BANK 6 10 | 100 | 87 | 88 | +⅛ | 7.29 |
| AUSTRIA 4 5/8 98 | 100 | 88⅛ | 89 | | 7.05 |
| CHUBU ELEC POWER 6 3/4 01 | 300 | 98⅛ | 99 | −⅛ | 6.96 |
| COUNCIL EUROPE 4 3/4 98 | 250 | 89⅛ | 89⅞ | | 6.96 |
| EEC 5 1/2 00 | 100 | 90 | 91 | | 7.05 |
| EIB 6 1/2 98 | 600 | 98⅞ | 99 | | 6.71 |
| ELEC DE FRANCE 7 1/4 06 | 100 | 102 | 102⅛ | −⅛ | 7.02 |
| FINLAND 5 3/8 95 | 150 | 94⅛ | 95 | +⅛ | 7.13 |
| GENERAL MOTORS 7 1/2 95 | 100 | 96 | 97 | −1 | 8.94 |
| JAPAN DEV BK 5 1/2 94 | 100 | 96½ | 97 | −½ | 7.33 |
| KOBE 6 3/8 01 | 240 | 96 | 96⅛ | | 6.95 |
| NEW ZEALAND 4 7/8 99 | 200 | 86⅛ | 86⅞ | | 7.43 |
| QUEBEC HYDRO 5 08 | 100 | 73 | 74 | −⅛ | 8.03 |
| WORLD BANK 5 03 | 150 | 84 | 84½ | | 7.06 |
| WORLD BANK 7 01 | 600 | 101⅛ | 101⅞ | | 6.73 |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| AUSTRIA 4 3/4 94 | 30000 | 98⅛ | 98⅞ | | 5.61 |
| CREDIT FONCIER 5 1/4 94 | 20000 | 98⅛ | 98⅞ | +⅛ | 5.91 |
| DENMARK 7 95 | 40000 | 103⅞ | 104⅛ | +⅛ | 5.59 |
| EIB 4 5/8 94 | 40000 | 97⅛ | 98⅛ | | 5.60 |
| ELEC DE FRANCE 5 5/8 96 | 20000 | 99⅛ | 99⅝ | +⅛ | 5.83 |
| FINLAND 6 3/4 96 | 50000 | 102⅞ | 103 | +⅛ | 5.99 |
| INTER AMER DEV 7 1/4 00 | 30000 | 108⅛ | 109⅛ | +⅛ | 5.89 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 97⅛ | 97⅝ | +⅛ | 5.84 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 100⅛ | 100⅝ | +⅛ | 5.77 |
| NORWAY 5 1/8 95 | 50000 | 98⅛ | 98⅞ | +⅛ | 5.63 |
| SNCF 6 3/4 00 | 30000 | 105⅛ | 106 | +⅛ | 5.84 |
| SWEDEN 5 5/8 95 | 20000 | 99⅛ | 99⅝ | +⅛ | 5.88 |
| WORLD BANK 6 3/4 00 | 50000 | 106⅛ | 106⅝ | +⅛ | 5.79 |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAYERISCHE VEREINS INT 7 94 LFr | 600 | 94 | 95 | | 9.72 |
| COPENHAGEN TEL 8 5/8 96 LFr | 600 | 98 | 98⅞ | | 9.24 |
| WORLD BANK 8 96 LFr | 1000 | 96⅛ | 97½ | | 9.10 |
| ABN AMRO HOLDING 9 1/4 01 Fl | 750 | 102¼ | 102½ | | 8.87 |
| UNILEVER 9 00 Fl | 500 | 102¼ | 103¼ | | 8.52 |
| ALBERTA PROVINCE 10 5/8 96 C$ | 500 | 106½ | 106⅞ | | 8.67 |
| BELL CANADA 10 5/8 99 C$ | 150 | 106⅞ | 107⅜ | +⅛ | 9.30 |
| BRITISH COLUMBIA 10 96 C$ | 500 | 104⅞ | 105½ | +⅛ | 8.64 |
| EIB 10 1/8 98 C$ | 130 | 105⅝ | 106⅛ | | 8.89 |
| ELEC DE FRANCE 9 3/4 99 C$ | 275 | 104⅝ | 105 | +⅛ | 8.88 |
| FORD CREDIT CANADA 10 94 C$ | 100 | 102⅞ | 103⅛ | +⅛ | 8.68 |
| GEN ELEC CAPITAL 10 96 C$ | 300 | 104⅝ | 105 | +⅛ | 8.71 |
| KFW INT FIN 10 01 C$ | 400 | 105 | 105⅜ | +⅛ | 9.16 |
| NIPPON TEL & TEL 10 1/4 94 C$ | 200 | 106⅛ | 106⅝ | +⅛ | 9.06 |
| ONTARIO HYDRO 10 7/8 99 C$ | 500 | 108⅛ | 108⅝ | +⅛ | 9.27 |
| OSTER KONTROLLBANK 10 1/4 99 C$ | 150 | 106⅛ | 106⅝ | +⅛ | 9.06 |
| QUEBEC PROV 10 1/2 98 C$ | 200 | 106⅛ | 106⅝ | +⅛ | 9.23 |
| BELGIUM 9 1/8 96 Ecu | 1250 | 100⅝ | 100⅞ | | 8.92 |
| CREDIT LYONNAIS 9 96 Ecu | 125 | 98 | 99⅛ | +⅛ | 9.55 |
| DENMARK 7 5/8 96 Ecu | 250 | 92⅛ | 93⅝ | +⅛ | 9.73 |
| EEC 7 5/8 94 Ecu | 200 | 96⅛ | 97⅛ | | 9.33 |
| EIB 10 97 Ecu | 1125 | 104⅞ | 105 | | 8.77 |
| FERRO DEL STAT 10 1/8 98 Ecu | 500 | 104⅛ | 104⅞ | | 9.09 |
| ITALY 10 3/4 00 Ecu | 1000 | 110⅛ | 110⅞ | | 8.87 |
| UNITED KINGDOM 9 1/8 01 Ecu | 2750 | 103⅛ | 103⅝ | | 8.61 |
| BP AMERICA 12 1/4 96 A$ | 100 | 110 | 110½ | +⅛ | 9.24 |
| COMM BK AUSTRALIA 13 3/4 99 A$ | 100 | 118 | 118⅝ | | 10.24 |
| EKSPORTFINANS 12 3/8 95 A$ | 75 | 111⅞ | 112⅛ | +⅛ | 8.26 |
| EUROFIMA 14 5/8 94 A$ | 75 | 113 | 113⅛ | +⅛ | 8.29 |
| MCDONALDS CANADA 15 95 A$ | 100 | 116⅝ | 117⅛ | +⅛ | 9.18 |
| NAT AUSTRALIA BANK 14 3/4 94 A$ | 150 | 112 | 112½ | | 8.34 |
| STATE BK NSW 14 1/4 99 A$ | 100 | 118¼ | 118⅝ | | 10.65 |
| UNILEVER AUSTRALIA 12 98 A$ | 150 | 110⅛ | 110⅝ | +⅛ | 9.72 |
| VOLKSWAGEN INTL 15 94 A$ | 100 | 112⅛ | 112⅝ | +⅛ | 8.80 |
| ABBEY NATL TREAS 13 3/8 95 £ | 100 | 106⅛ | 106⅝ | −⅛ | 10.81 |
| ALLIANCE & LEICS 11 3/8 97 £ | 100 | 100⅞ | 101⅛ | −⅛ | 11.11 |
| BRITISH GAS 12 3/4 95 £ | 300 | 105⅞ | 105⅛ | | 10.61 |
| DEUTSCHE BK FIN 11 94 £ | 225 | 100⅞ | 101⅛ | −⅛ | 10.56 |
| EIB 10 97 £ | 536.5 | 99⅛ | 99½ | −⅛ | 10.22 |
| FINLAND 10 1/8 97 £ | 100 | 99⅛ | 99⅝ | | 10.27 |
| INTER AMER DEV 11 3/8 95 £ | 75 | 102⅞ | 102⅞ | | 10.46 |
| ITALY 10 1/2 14 £ | 400 | 99⅛ | 99½ | +⅛ | 10.57 |
| LAND SECS 9 1/2 07 £ | 200 | 85⅝ | 86⅛ | −⅛ | 11.48 |
| NORWAY 10 1/2 94 £ | 200 | 100⅛ | 100⅝ | −⅛ | 10.33 |
| ONTARIO 11 1/8 01 £ | 100 | 102⅞ | 103⅛ | −⅛ | 10.61 |
| SEVERN TRENT 11 1/2 99 £ | 150 | 102⅛ | 102½ | −⅛ | 11.04 |
| SKANDINAVISKA ENSK 13 1/8 95 £ | 100 | 105⅛ | 105⅝ | −⅛ | 11.08 |
| TOKYO ELEC POWER 11 01 £ | 150 | 103⅛ | 103⅝ | −⅛ | 10.42 |
| WORLD BANK 11 1/4 95 £ | 100 | 102⅛ | 102⅝ | −⅛ | 10.38 |
| ABBEY NATIONAL 0 96 NZ$ | 100 | 64 | 65 | | 9.81 |
| BNP 12 96 NZ$ | 50 | 109½ | 110½ | | 9.20 |
| CEPME 10 95 FFr | 2000 | 101⅛ | 101⅝ | +⅛ | 9.39 |
| ELF-AQUITAINE 9 99 FFr | 600 | 98⅞ | 99⅜ | | 9.19 |
| EURATOM 7 5/8 98 FFr | 500 | 92 | 92⅞ | | 9.30 |

| FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn |
|---|---|---|---|---|
| ALLIANCE & LEICS 0.08 94 £ | 300 | 99.49 | 99.59 | 10.6425 |
| BANCO ROMA 0.03 01 | 200 | 91.00 | 92.33 | 6.4675 |
| BELGIUM 1/16 97 DM | 500 | 99.96 | 100.06 | 9.5000 |
| BFCE −0.02 96 | 350 | 100.18 | 100.28 | 4.9175 |
| BNP 05 | 300 | 95.97 | 96.78 | 5.5625 |
| BRITANNIA 1/10 96 £ | 150 | 99.09 | 99.28 | 10.6625 |
| CCCE 06 ECU | 200 | 99.93 | 100.03 | 10.1563 |
| CITIZENS FED 0.15 96 | 100 | 99.42 | 99.88 | 5.9625 |
| CREDIT FONCIER −1/16 98 | 200 | 100.39 | 100.49 | 5.3438 |
| DENMARK −1/8 96 | 1000 | 99.80 | 99.90 | 5.6875 |
| DRESDNER FINANCE 1/32 98 DM | 1000 | 99.96 | 100.06 | 9.5156 |
| ELEC DE FRANCE 1/8 99 | 400 | 100.85 | 101.54 | 6.0625 |
| FERRO DEL STAT 94 | 200 | 100.52 | 100.76 | 5.9375 |
| HALIFAX 1/10 94 £ | 200 | 99.93 | 100.02 | 10.5375 |
| IRELAND 98 | 300 | 99.49 | 99.59 | 4.4600 |
| ITALY 00 | 500 | 100.48 | 100.59 | 4.5000 |
| LEEDS PERMANENT 1/8 96 £ | 200 | 99.30 | 99.45 | 11.0000 |
| LLOYDS BANK 1/10 PERP S.3 | 600 | 79.30 | 81.20 | 6.0375 |
| MITSUI FIN ASIA 1/8 96 | 100 | 99.90 | 100.00 | 5.9375 |
| MORGAN (JP) 1/4 97 | 250 | 99.03 | 99.78 | 5.2500 |
| NAT WEST FIN 3/16 05 | 400 | 91.75 | 92.95 | 5.5000 |
| RENFE 98 | 500 | 99.99 | 100.10 | 9.0000 |
| SOCIETE GENERALE 96 | 300 | 99.57 | 99.68 | 5.6250 |
| STATE BK VICTORIA 0.05 99 | 125 | 98.22 | 98.47 | 4.3625 |
| UNITED KINGDOM −1/8 96 | 4000 | 99.98 | 100.01 | 5.2500 |
| YORKSHIRE BS 1/10 94 £ | 165 | 99.55 | 99.64 | 10.5063 |

| CONVERTIBLE BONDS | Issued | Conv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| BURTON GROUP 4 3/4 01 £ | 110 | 2.38 | 125⅛ | 127⅛ | |
| CHUBB CAPITAL 6 98 | 250 | 86 | 105⅛ | 106⅛ | +24.14 |
| DAI-ICHI KANGYO 3 7/8 04 | 300 | 3251.8 | 91⅛ | 92⅛ | +34.05 |
| EASTMAN KODAK 6 3/8 01 | 300 | 50.67 | 102 | 103 | +12.97 |
| GOLD KALGOORLIE 7 1/2 00 | 65 | 1.0554 | 79⅛ | 80⅛ | +41.94 |
| HANSON 9 1/2 06 £ | 500 | 2.5875 | 95 | 95⅛ | +25.74 |
| HAWLEY 6 02 PREF | 400 | 19.1 | 77⅛ | 79⅛ | |
| HILLSDOWN 4 1/2 02 £ | 150 | 3.97 | 114⅛ | 115⅛ | |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 81⅛ | 82⅛ | +21.52 |
| LASMO 7 3/4 05 £ | 90 | 5.64 | 73⅛ | 74⅛ | +86.22 |
| MITSUI BANK 2 5/8 03 | 200 | 2337⅛ | 89⅛ | 91⅛ | +21.72 |
| MOUNT ISA FIN 6 1/2 97 | 100 | 2.283 | 89⅛ | 90⅛ | +29.84 |
| OGDEN 6 02 | 85 | 39.077 | 78⅛ | 79⅛ | +65.55 |
| SMITH & NEPHEW 4 02 £ | 90 | 1.775 | 118⅛ | 119⅛ | +53.09 |
| SUMITOMO BANK 3 1/8 04 | 300 | 3606.9 | 70⅛ | 71⅛ | +31.95 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 88⅛ | 89⅛ | |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 117⅛ | 118⅛ | +19.86 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## Canadian forest products stock stage recovery

By Robert Gibbens in Montreal

THE US Federal Reserve's full-point cut in discount rates has halted a long and unnerving slide in Canadian forest products stocks.

The Toronto Stock Exchange forest products index last spring was up 15 per cent from December 31 1990, reflecting hopes for recovery with a strengthening US economy. About 75 per cent of Canada's huge timber and pulp and paper output is exported to the US.

However, by the summer the US recovery was faltering. The new housing market petered out, bringing a setback in timber prices and advertising remained sluggish, which weakened the newsprint market still further.

For the whole of 1991 US newsprint consumption will have dropped 7 per cent.

The TSE index by the end of November was down nearly 5 per cent from December 31 1990, as investors lost impatience fearing a double-dip recession in the US.

However the dramatic full-point cut in discount rates, followed by sharply lower prime lending rates, brought US buyers back to US forest product stocks.

On Friday, the buying spilled over into Canadian forest products stocks and the TSE index made a gain of about 5 per cent on the week.

Clearly many sophisticated investors think that a revival in US housing and in newspaper advertising will finally occur in 1992, an election year, bringing a long-awaited turnabout in Canadian pulp and paper companies' fortunes.

Analysts estimate that the total Canadian industry, both private and publicly held, will show collective losses of about C$2bn (US$1.25bn) for the whole of 1991.

Other factors may help. The Mulroney government in Ottawa has eased interest rates lower, allowing the Canadian dollar to drop from a peak 89 US cents this autumn to just above 86 US cents.

Each one-cent drop in the Canadian dollar means about C$10m in profit for a large Canadian forest products exporter such as Domtar.

## THE WEEK AHEAD

ECONOMICS

# Search for clues on whether the US recession has double dipped

THIS week, financial market trading and economic news should continue to be on the thin side as world markets shut down for the New Year holiday on Wednesday.

However, it should be a week for plenty of analysis about the shape of the global economy in 1992. As the fourth quarter 1991 data started to come through, economists began to judge that the major economies were converging upon significantly lower levels of activity, with the two "locomotives", Japan and Germany, entering slowdowns. Japan's gross national product could rise by only 2-2.5 per cent in 1992, while high interest rates could produce zero growth in Germany.

There is a smattering of US data: existing and new sales, November leading indicators, December consumer confidence which should all give clues as to whether the economy has, as feared, gone into a double-dip recession. If the indicators continue to be bad – though last week, the jobless claims figures were slightly better-than-expected – then a fiscal package to stimulate the economy in 1992 might be extensive. Backdated tax breaks are being mooted, though it is clear there will be plenty of debate between President Bush and Congress as to the package's measures.

**US consumer confidence**

1985=100, seasonally adjusted


Source: Datastream

In the UK, all eyes will again be on the pound which last week – and in the week before the Christmas holiday - was trading dangerously near to its lower permitted limit in the European exchange rate mechanism. This has raised worries of an interest-rate rise to shore up the pound, though concerted intervention by central banks would be likely to prevent the Bank of England from having to take such a politically-unpopular step.

At the present, three-month interbank money rates are hovering around 11 per cent. As this is still higher than the current base rate level of 10.5 per cent, however, it shows the market is still divided on whether the next UK rate move is up or down.

Other market events and statistics, with median market forecasts from MMS International, the financial research company, in brackets include:

Today: US, existing home sales. France, November consumer prices index (CPI), final, (month-on-month 0.3 per cent, year-on-year 3.0 per cent).

Tomorrow:Japan, year-end holiday, markets closed except foreign exchange. US, November leading indicators (down 0.3 per cent), December consumer confidence (50.1 per cent), November new home sales (0.9 per cent), December National Association of Purchasing Managers index, December agricultural prices.

Wednesday:World, New Year's Day, markets closed.

Thursday:Japan, markets closed though January 3 for year-end holiday. Germany, Fed. Bond consortium meets to set terms of new Unity Bond. US, December NAPM index (48.5 per cent), US, November construction spending (down 0.5 per cent), December 11-20 auto sales (5.9 per cent), initial claims for week ended December 21 (463,000).

Friday:US, November factory goods orders (0.8 per cent), factory goods shipments, 3rd quarter non-farm productivity (revised), US, money supply. UK, December official reserves ($250m). Canada, November industrial product price index.

During the week:Germany, October producer prices index, east, cost of living,

**By Rachel Johnson**

## DIVIDEND & INTEREST PAYMENTS

■ TODAY
Alexanders Hldgs. 9½% Cm. Pf. 3.325p
Brake Bros 1.65p
Chesterfield Props. 7p
Forward Grp. 1p
Lawson Mardon Class A Sb. Vtg. 10cts.
Lex Service 6½% Cm. Pf. 2.275p
Lon. & Assoc. Inv. Tst. 0.05p
Milk Mktg Board Fltg. Rate Nts. 1993 £131.54
Murray Split Cap. Tst. Units 25p
Do. Inc. 2.5p
Narborough Plantations 20% Cm. Pf. 1p
Norsk Hydro 9¼% Bd. 1994 $88.65
Tilling (Thomas) 8½% Un. Ln. 1989/94 4¼pc.
UK Fltg. Rate Nts. 1996 $132.71

■ TOMORROW
3i 7¼% A Db. 1989/92 3⅝pc.
AMEC 4p
Do. 15% Un. Ln. 1992 7½pc.
Abtrust Preferred Inc. Inv. Tst. 5.8125p
African Dev. Bk. Sb. Fltg. Rate Nts. 1996 $339.06
Albright & Wilson 8% Db. 1987/92 4pc.
Alexander & Alexander 25cts.
Allied London Props. 10¾% 1st Mtg. Db. 2025 5⅜pc.
Allied-Lyons 11¾% Db. 2009 5⅞pc.
Allnatt London Props. 7½% 1st Mtg. Db. 1990/95 3¾pc.
Do. 6¾% 1st Mtg. Db. 1988/93 3⅜pc.
Antofagasta 5% Cm. Pf. 1.75p
Do Chile & Bolivia Rail 4% Perp. Db 2pc.
Arlington Sec. 9½% Cm. Rd. Pf. 2008 4.75p
Asda Prop. 5⅛% Cv. Cm. Rd. Pf. 2.5625pc.
Asprey 6½% Cm. Pf. 2.275p
Do. 9¾% Cm. Pf. 4.875p
Assoc. Leisure 7½% Un. Ln. 1989/94 3¾pc
Avdel 10½% Un. Ln. 1996/98 5¼pc.
Avon Rubber 4.9% Cm. Pf. 2.45p
BICC 7¾% Db. 1990/95 3⅞pc.
BOC 4.55% Cm. Pf. 2.275p
Do 2.8% Cm. 2nd Pf. 1.4p
Do. 3.5% Cm. 2nd Pf. 1.75p
BSG Int. 0.7p
Do 8¾% 1st Mtg. Db. 1993/98 4⅜pc.
Do. 12½% Un. Ln. 1993/98 6¼pc.
Do 7% 1st Mtg. Db. 1993/98 3½pc.
Bampton 8¼% 1st Mtg. Db. 1988/93 4⅛pc.
Do. 8¼% Un. Ln. 2002/07 4⅛pc.
Barings 7¼% Cm. 1st Pf. 3.625p
Do. 5¾% Cm 1st Pf. 2.875p
Do 8% Cm 1st Pf. 4p
Do 8% Cm. 2nd Pf. 4p
Barratt Devs. 6½% Un. Ln. 1992/97 3¼pc.
Do 6½% Un. Ln. 1992/97 3¼pc.
Blue Circle 7⅝% Cv. Cm. Rd. Pf. 3.8125p
Bluebird Toys 12% Cv. Un. Ln. 2005 6pc
Boddington 9½% Un. Ln. 2000/05 4¾pc
Do 9½% Cv Un. Ln. 2000/05 4¾pc.
Bodycote 3.5p
Bowthorpe 7% Un. Ln. 1990/95 3½pc.
Bowyers 9½% Un. Ln. 1990/95 4¾pc.
Braime (TF & JH) 5% Cm. Pf. 2.5p
Bridon 10¼% Db. 1991/96 5⅛pc.
Do 8% Db. 1988/93 4pc.
Do 6⅜% Un. Ln. 2002/07 3 3/16pc.
Do 7¾% Un. Ln. 2002/07 3⅞pc.
Bristol Waterworks 4¼% Perp. Db. 2⅛pc.
Do 3½% Perp. Db. 1¾pc.
Do 4% Perp. Db. 2pc.
Britannic Assurance 5% Tax Free Cm Pf 2.5p
British Alcan Aluminium 10½% Db. 1989/94 5¼pc.
British Fittings 5.5% Cv. Rd. Pf. 2.75p
British Polythene Inds. 7½% Cm. Cv. Rd. Pf. 3.75p
British Shoe Corp. 6½% Cm. Pf. 2.275p
Do. 5¾% Cm. 2nd Pf. 2.0125p
Brixton Est. 5% Cm. Pf. 0.875p
Do 9.5% 1st Mtg. Db. 2026 4.75pc.
Do 11¼% 1st Mtg. Db. 2023 5⅝pc.
Do 10.75% 1st Mtg. Db. 2025 5.375pc.
Do 9% 1st Mtg. Db. 1992/97 4½pc.
Broadstoner 6% Cm. Pf 2.1p
Brockhampton 1.65p
Do. N/Vtg. A 1.65p
Brunner Inv. 5% Cm. Pf. 1.75p
Burford 10⅝% 1st Mtg. Db. 2014 5 5/16pc.
Butlins 8% 2nd Mtg. Db. 1992/97 4pc.
Caird 7p Cm. Cv. Rd. Pf. 2009 3.5p
Cakebread Robey 8½% Un. Ln. 1993/98 4¼pc.
Cap. & Counties 4.2% Cm. Pf. 2.1p
Do. 11¼% 1st Mtg. Db. 2021 5⅝pc.
Do. 9⅞% 1st Mtg. Db. 2027 4 15/16pc.
Do. 9¾% Un. Ln. 1991/96 4⅞pc.
Caradon Mira 7¼% Db. 1992/97 3⅝pc.
Casket 10.25% Cm. Pf. 5.125p
Charlwood Alliance 8¾% 1st Mtg. Db. 1995/98 4⅜pc.
Charnos 7% Cm. Pf. 2.45p
Chester Waterworks 8% Rd. Pf. 1992 4pc.
Do. 7½% Rd. Db. 1991/93 3¾pc.
Do. 8% Rd. Db. 1992/94 4pc.
Do. 11⅜% Rd. Db. 1998/2000 5 11/16pc.
Chillington 9% Cv. Un. Ln. 1999 4½pc.
City Site Ests. 7% Cv. Un. Ln. 2005/08 3½pc.
Cityvision 8.5% Cv. Cm. Rd. Pf. 4.25p
Clyde Port Authority 4% Irrd. 2pc.
Do. 3% Irrd. 1½pc.
Coats Patons 4½% Un. Ln. 2002/07 2¼pc.
Do. 6¾% Un. Ln. 2002/07 3⅜pc.
Do. 7½% Un. Ln. 1990/95 3¾pc.
Collateralised Mtg. Sec. (No.8) Mtg. Backed Fltg. Rate Nts. 2028 £269.00
Colman (E. Alec) 8¾% 1st Mtg. Db. 1986/91 4⅜pc.
Comben 7¾% Un. Ln. 1992/97 3⅞pc.
Contl. Bank 15cts.
Contl. Illinois O'seas Fin. Gtd. Fltg. Rate Sb. Nts. 1994 $145.35
Cookson 7% Cm. Pf. 2.45p
Copenhagen Handelsbank Sb. Fltg. Rate Nts. 2000 $335.83
Croda Int. 6.6% Cm. Pf. 3.3p
Do. 5.9% Cm. Pf. 2.95p
Dalgety 8¼% Rd. Db. 1988/93 4⅛pc.
Do. 6½% Rd. Db. 1985/95 3¼pc.
Dana 9% Un. Ln. 1987/92 4½pc.
Dead Sea Works 5% Db. 2002 2½pc.
Debenhams 7¼% 2nd Db. 1991/96 3⅝pc.
Delta 4.2% Cm. 1st Pf. 2.1p
Do. 3.15% Cm. 2nd Pf. 1.575p
Dencora 6.25% Cm. Cv. Rd. Pf. 3.125p
Denmark (Kingdom of) 13% Ln. 2005 6½pc.
Derby Tst. 7½% Db. 1999/2003 3¾pc.
Dinkie Heel 0.35p
Diploma 10½% Un. Ln. 1990/95 5¼pc.
Dover Corp. 21cts.
EIS 3.175p
Do. 5% Cm. Pf. 1.75p
EMAP 5% Cm. Pf. 1.75p
East Lancashire Paper 7½% Un. Ln. 1987/92 3¾pc.
East Worcestershire Water 7% Rd. Db. 1989/91 3½pc.
Eastbourne Water 11.2% Rd. Db. 2005/09 5.6pc.
Do. 12½% Rd. Db. 2004 6¼pc.
Do. 10½% Rd. Db. 1995/97 5¼pc.
Do. 7½% Rd. Db. 1990/92 3¾pc.
Ecclesiastical Insurance Office 10% Rd. 2nd Cm. Pf. 5p
Edinburgh Inv. Tst. 11½% Db. 2014 5¾pc.
Electric & General Inv. 10.1% Db. 1997/2002 5.05pc.
Emess 6.25p Cv. Cm. Rd. Pf. 3.125p
Empire Stores 9¼% Db. 1994/99 4⅝pc.
Engelhard 20cts.
English National Inv. 9½% Db. 1991/96 4¾pc.
Essex Water 9.625% Rd. Pf. 1993 2.40625p
Estates & Agency 3½% Cm. Rd. Pf. 1.75p
Do. 11.25% 1st Mtg. Db. 2020 5.625pc.
Estates & General 11.25% 1st Mtg. Db. 2018 5.625pc.
Everards Brewery 5% Cm. Pf. 1.75p
Everard Bardon 3.85% Cm. Pf. 1.925p
Do. 11.25p Cm. Rd. Pf. 2005 5.625p
Do. 7.25p Cv. Rde. Pf. 3.625p
Finlay (James) 5% Cm. 2nd Pf. 2.5p
Do. 4.2% Cm. 2nd Pf. 2.1p
Do. 4.2% Cm. 1st Pf. 2.1p
Fleming American Inv. Tst. 5% Cm. Pf. 1.75p
Do. 7% Cv. Un. Ln. 1999 3½pc.
Do. 5% Un. Ln. 1987/92 2½pc.
Fleming Claverhouse Inv. Tst. 11% Db. 2008 5½pc.
Fleming O'seas Inv. Tst. 5% Cm. Pf. 1.75p
Folkestone & District Water 4% Perp. Db. 2pc.
Do. 11½% Rd. Db. 2004 5¾pc.
Do. 5% Perp. Db. 2½pc.
Foreign & Colonial Inv. Tst. 11.25% Db. 2014 5.625pc.
Fortnum & Mason 10p
Do. 7% Cm. Pf. 2.45p
Foster (John) 4½% Cm. Pf. 1.575p
Friendly Hotels 5% Cv. Cm. Rd. Pf. 2.5p
Fulcrum Inv. Tst. 5.9p
Futura 7% Cm. Pf. 2.45p
GATX 30cts.
GR (Hldgs.) 10½% 2nd Cm. Pf. 5.25p
Gartmore European Inv. Tst. 9½% Db. 1991/96 4¾pc.
Gartmore Value Invs. 0.925p
Gaskell 5% Cm. Pf. 1.75p
Gen. Accident 7½% Un. Ln. 1987/92 3¾pc.
Do. 7¾% Un. Ln. 1992/97 3⅞pc.
Gen. Cons. Inv. Tst. Inc. 3.36p
Do. Stppd. Pf. 1.615p
Gen. Motors 7⅜% Gtd. Un. Ln. 1987/92 3 11/16pc.
Gibbs & Dandy 7% Cm. Pf. 2.45p
Do. 8½% Db. 1991/96 4¼pc.
Glynwed Int. 7¾% Cm. Pf. 2.7125p
Grahams Rintoul Inv. Tst. Cm. Rd. Stppd. Cap. Pf. 5.25p
Grampian Hldgs. 7% Cm. Pf. 2.45p
GUS 8¼% Un. Ln. 1993/98 4⅛pc.
Do. 5⅜% Rd. Un. Ln. 2 11/16pc.
Do. 6⅜% Rd. Un. Ln. 3 3/16pc.
Green Prop. 8% Rd. Cv. Un. Ln. 1995 4pc.
Greenacre Cv. Rd. Pf. 0.8414p
Greenalls 5.95% Cm. Rd. Cv. Pf. 2.975p
Guardian & Manchester Evening News 4% Cm. Pf. 1.4p
*Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 (Ser.A) £47.20*
Hall Eng. 5.55% Cm. Pf. 2.775p
Halstead (James) 5½% Cm. Pf. 1.925p
Hampson Inds. 8% Un. Ln. 1988/93 4pc.
Hartlepools Water 8% Rd. Db. 1992/94 4pc.
Hawker Siddeley 10p
Do. 8¾% Db. 1987/92 4⅜pc.
Do. 7¼% Db. 1987/92 3⅝pc.
Hawtin 4.55% Cm. Pf. 2.275p
Headlam 5.6% Cm. Pf. 2.8p
Helene 0.65p
Hepworth Capital Fin. 11.25% Cv. Cap. Bd. 2005 5.625pc.
Hewitt 10% Cm. Pf. 5p
Hickson Cap. 7% Cv. Cap. Bd. 2004 (Br) 3½pc.
Do. (Reg) 3½pc.
Hickson Int. 8½% Un. Ln. 1989/94 4¼pc.
Higgs & Hill 7% Cm. Pf. 2.45p
Hillsdown 2.2p
Hunting 4.2% Cm. Pf. 2.1p
IMI 7¾% Un. Ln. 1988/93 3⅞pc.
Do. 5½% Un. Ln. 2001/06 2¾pc.
Ingersoll-Rand 8% Un. Ln. 1988/93 4pc.
Int. Inv. Tst. Co. of Jersey 13% Cm. Rd. Pf. 6.5p
Jardine European Motors Ser.B Fltg. Rate Gtd. Ln. Nts. 2000 £5.073
Jersey Electricity 8% Gtd. 2000 4pc.
Kayser Bondor 6% Rd. Cm. Pf. 2.1p
Kleinwort O'seas Inv. Tst. 4% Cm. Pf. 2pc.
Ladbroke Hotels 10½% 1st Mtg. Db. 1994/99 5¼pc.
Laird 8% Un. Ln. 1988/93 4pc.
Law Land 7% 1st Mtg. Db. 1989/94 3½pc.
Do. 6¼% 1st Mtg. Db. 1989/94 3⅛pc.
Do. 6½% 1st Mtg. Db. 1986/91 3¼pc.
Linton Park 10½% Un. Ln. 1992/97 5¼pc.
London Park Hotels 10½% 1st Mtg. Db. 2000/05 5¼pc.
London & Edinburgh Tst. 8⅞% 1st Cm. Rd. Pf. 2013 4.4375p
Lonrho 7½% 1st Mtg. Db 1986/91 3¾pc.
M & G Gilt & Fixed Int. Inc. 1.1p
MEPC 12% Bd. 2008 £614.78
Macallan-Glenlivet 6¼% Cv. Un. Ln. 2005 3⅛pc.
Manganese Bronze 8¼% Cm. Pf. 2.8875p
Marley 11⅞% Db. 2009 5 15/16pc.
Marshalls 11⅜% Db. 2014 5 11/16pc.
Do. 7¼% Db. 1986/91 3⅝pc.
Marshalls Universal 7½% Cm. Rd. Pf. 3.75p
Martin Marietta 37.5cts.
Merivale Moore 10½% 1st Mtg. Db. 2020 5¼pc
Mid Kent Water 5% Perp. Db. 2½pc.
Do. 12¾% Rd. Db. 1995 6⅜pc.
Do. 9⅞% Rd. Db. 1997/99 4 15/16pc.
Do. 12% Rd Db 1993 6pc.
Do. 12¼% Rd. Db. 2005 6⅛pc.
Do. 12% Rd Db. 1990/92 6pc.
Do. 7% Rd. Db. 1991/93 3½pc.
Do. 7½% Rd. Db. 1991/93 3¾pc.
Do. 8% Rd. Db. 1992/94 4pc.
Mid-Sussex Water 4.9% Max 2.45p
Midland Bank 7½% Sb. Un. Ln. 1983/93 3¾pc.
Do. 10¾% Sb. Un. Ln 1993/98 5⅜pc.
More O'Ferrall 10% 2nd Cm. Pf. 5p
Mowlem (John) 5.65p
Mucklow (A & J) 7% Cm. Pf. 2.45p
Murray Int. Tst. 4% Db. 2pc.
National Westminster Bank 9% Sb. Un. Ln. 1993 4½pc.
Newey 5% Pf. 1.75p
News Intl. 8% 2nd Pf. 2.8p
Do. 7% 1st Pf. 2.45p
Newton, Chambers 5% 1st Pf. 1.75p
Nexus 7¾% 1st Mtg. Db. 1987/92 3⅞pc.
North Surrey Water 5% Db. 2½pc.
Do. 7½% Db. 1991/93 3¾pc.
Do. 9½% Db. 19094/96 4¾pc.
Northern Eng. Inds. 11% Pf. 5.5p
Do. 5.375% Pf. 2.6875p
Do. 3% Pf. 1.5p
Do. 7% Un. Ln. 2000/05 3½pc.
Do. 9% Un. Ln. 1990/95 4½pc.
Northern Telecom 8cts.
OK Bazaars 37cts.
PFG Hodgson Kenyon Intl. 6.75% Cv. Pf. 1991/2001 3.375p
*Pearson 8.525% Un. Ln. 1988/93 4.2625pc.*
Do. 13.625% Un. Ln. 2007 6.8125pc.
Do. 9.3% Un. Ln. 1996/2001 4.65pc.
Philips Fin. 5¾% £/Gldr Cv. Gtd. Ln. 1981/94 2⅞pc.
Pitney-Bowes 5½% Cv. Un. Ln. 1979/94 2¾pc.
Pittard Garnar 9½% Pf. 4.75p
Polymark Int. Cm. Cv. Rd. Ptg. Pf. A 5p
Portals Hldgs. 5p
Porter Chadburn 8% Cv. Cm. Rd. Pf. 1993 4p
Public Service Enterprise 54cts.
Quarto 8.75p Cv. Cm. Rd. Pf. 4.375p
Queens Moat Houses 12% 1st Mtg. Db. 2013 6p
Quicks 10% Cm. Pf. 5p
REA Hldgs. 9% Pf. 4.5p
Do. 12% Cv. Un. Ln. 2000 6pc.
Record Hldgs. 10% Pf. 5p
Regis Property 8¾% Gtd. Un. Ln. 1997 4⅜pc.
River Plate & Gen Inv. Tst. 4% Db. Irrd. 2pc.
River & Mercantile Tst. 5% Pf. 1.75p
Robinson Bros (Ryders Green) 11% Pf. 5.5p
Ropner 3.5p
Do. A (N/Vtg.) 3.5p
Do. 11½% Pf. 5.75p
Rotork 9½% Pf. 4.75p
Royal Bank of Canada Fltg. Rate Db. 2005 $43.33
Royal Bank of Scot. 5½% Pf. 1.925p
Do. 11% Pf. 3.85p
Rugby 7¾% Un. Ln. 1993/98 3⅞pc.
Do 6% Un. Ln. 1993/98 3pc.
Saint Andrew Tst. 5¼% Pf. 1.8375p
Saint Davids Inv. Tst. 4.6p
Save & Prosper Ret. of Assets Inv. 2.97p
Savoy Hotel 4% 1st Mtg. Perp. Db. 2pc.
Do. 8¼% Mtg. Db. 1991/96 4⅛pc.
Savoy Theatre 4% 1st Mtg. 2pc.
Schroders 8¾% Un. Ln. 1997/2002 4⅜pc.
Scottish Eastern Inv. Tst. 4½% Pf. 1.575p
Scottish Mortgage & Tst. 6-12% Stppd Int. Db. 2026 5½pc.
Scottish Natl. Tst. 6% Pf. 2.1p
Ship Mortgage Finance 8% Db. 1991/93 4pc.
Simon Eng. 9¼% Db. 1992/97 4⅝pc.
Sirdar 7½% Pf. 2.625p
Slough Estates 11.25% 1st Mtg. Db. 2019 5.625pc.
Do. 12⅜% Un. Ln. 2009 6 3/16pc.
Smurfit (Jefferson) 2.202p
Do. 6% Cm Pf. 2.25p
Do. 9¾% Cv. Un. Ln. Nts. 4⅞pc.
Do. 10½% Un. Ln. 1975/95 5¼pc.
South African Breweries 33cts.
Spirax-Sarco Eng. 7¼% Db. 1986/91 3⅝pc.
Sunderland & South Shields Water 7¾% Rd Db. 1992/94 3⅞pc.
Do. 7½% Db. 1991/93 3¾pc.
Do. 3½% Perp. Db. 1¾pc.
Do. 11½% Db 2005 5¾pc.
Do. 11.80% Db. 1995/97 5.9pc.
Do. 10% Db. 1992/94 5pc.
Do. 9.80% Db 1996 4.9pc.
Sutton Dist. Water 3¼% Db. 1⅝pc.
Do. 5% Db. 2½pc.
Do 7½% Db. 1991/93 3¾pc.
Swire (John) 6.3% Pf. 3.15p
T & N. 11¾% Mtg. Db. 1995/2000 5⅞pc.
Do 10.1% Mtg. Db. 1990/95 5.05pc.
Do. 8% Mtg. Db. 1987/92 4pc.
TR City of London Tst. 11½% Db. 2014 5¾pc.
TR Technology Stppd. Pf. 2.8950624p
TSB Perp. Fltg. Rate Nts. £274.03
Takare 11.8% 1st Mtg. Db. 2014 5.9pc.
Tees & Hartlepools Port Authority 5½% Rd. Db. 1994/99 2¾pc.
Tennessee Gas Pipeline 10% £/$ Cv. Un. Ln. 1991/95 5pc.
Throgmorton USM Tst. 5½% Ptly. Cv. Pf. 2.75p
Do. 5½% Pf. 2.75p
Tomkins 5.6% Cv. Pf. 2.8p
Tootal 4¾% Perp. Db. 2⅜pc.
Toronto Grey & Bruce Railway 4% 1st Mtg. Bd. 2pc
Trafalgar House 5.575% Pf. 2.7875p
Do. 7% Un. Db 3½pc.
Do. 10¼% Un. Ln. 2001/06 5⅛pc.
Trafford Park Estates 7⅜% 1st Mtg. Db. 1990/95 3 11/16pc.
Do. 9% 1st Mtg. Db. 1991/96 4½pc.
Transport Dev. 4.7% Pf. 2.35p
Do. 6¾% Un. Ln. 1989/94 3⅜pc.
Do. 8¼% Un. Ln. 1993/98 4⅛pc.
Tribune Inv. Tst. 9⅛% Db. 2012 4 9/16pc.
Unigate 6½% Un. Ln. 1992/97 3¼pc.
Unilever 5.03p
Do. 5¾% Un. Ln. 1991/2006 2⅞pc.
Do. 6⅛% Un. Ln. 1991/2006 3 1/16pc.
Do. 8% Un. Ln. 1991/2006 4pc.
*Do. 8¼% Un. Ln. 1991/2006 4⅛pc*
Do. 9¼% Un. Ln. 1991/2006 4⅝pc.
United Kingdom Prop. 8½% Un. Ln. 2000/05 4¼pc.
Usher-Walker 5% Pf. 1.75p
Value & Inc. Tst. 6¼% Cv. Pf. 3.125p
Waddington (J) 5.6% Pf. 2.8p
Do. 4.2% Pf. 2.1p
Watmoughs 8¼% Pf. 2005 4⅛pc.
Weir 10% Db. 1988/94 5pc.
Wellman 50% Irrd. Cv. Pf. 5p
Wells Fargo Fltg. Rate Sb. Nts. 2000 $46.67
Do. Fltg. Rate Sb. Nts. 1992 $44.44
West Kent Water 3.5% Cons. 1.75p
Do. 2.8% Pf. (Vtg.) 14p
Do. 2.8% Pf. (N/Vtg.) 14p
Do. 3.15% Pf. 7.875p
Do. 4% Perp. Db. 2pc.
Do. 12½% Db. 1994/96 6¼pc.
Do. 10% Db. 1993/95 5pc.
Westland 7½% Cv. Pf. 3.75p
Whirlpool 27.5cts.
Williams Hldgs. 5⅝% Cv. Pf. 2.8125p
Williamson Tea 6% Pf 2.1p
Wilson (Connolly) 8% Cm. Pf. 2.8p
Do. 10½% Cm 2nd Pf. 5.25p
Wolverhampton & Dudley Breweries 6% Pf. 2.8p
Wood (Arthur) 7½% Cm. Pf. 2.625p
Worcester Cm. Rd Cv. Pf. 5p
Wyevale Garden Centres 8.5% Cv. Cm. Rd. Pf 4.25p
Yeoman Inv. Tst. 6.6p
York Waterworks 5% Db. 2½pc.
Yorkshire Chemicals 5% Pf 1.75p
Yorkshire Int. Fin. Gtd. Fltg. Rate Nts. 1994 £132.33

■ WEDNESDAY JANUARY 1
BICC Capital Finance 10.75% Cv. Cp. Bd. 2020 5.419178pc.
Baltic 7% Cv. Pf. 3.5p
Barbados (Govt. of) 13½% Ln. 2015 6¾pc.
Barings 9¾% Non-Cm. Pf. 1.1486p
Beauford 7p (Net) Cv. Pf. 3.5p
Birmingham 3½% 1946 1.75pc.
Do. 2½% 1926 1.25pc.
Do. 3% 1932 1.5pc.
Do. 3% 1947 1.5pc.
Blackburn 3½% Irrd. 1.75pc.
Do. 4% Cons. Db. Irrd. 2pc.
Blockleys 6% Pf. 1.05p
Boosey & Hawkes 7% Pf. 2.45p
Do. 5½% Rd 1st Pf. 1.925p
Bowater Inc 30cts.
Calgary & Edmonton Railway 4% Cons. Db. 2002 2pc.
Canadian Pacific 4% Perp. Cons. Db. 2pc.
Chemical Banking 25cts.
Coastal Corp 10cts.
Colne Valley Water 10% Db. 1996/98 5pc.
Do. 5% Db. 1986/91 2.5pc.
Do. 5% Db. 2.5pc.
Do. 4% Db. 2pc.
Do. 4% Cons. Db. (Irrd.) 2pc
Do. 3½% Irrd. Db. 1.75pc.
Commercial Union 3.5% Pf 1.75pc.
Crane Europe 5½% Pf. 1.925p
Drayton Cons. Tst. 5% Pf. 1.75p
Do. 3.5% Pf. 1.75p
Do. 2.8% Pf. 1.4p
Elliott (B) 3.15% Pf. (2000) 1.575p
FII 7.7% Cv. Pf.1995/99 3.85p
Felixstowe Dock & Railway Pf. 3.25p
First Chicago 50cts.
Fleming O'seas Inv. Tst. 4½% Perp. Db. 2.25pc.
Friendly Hotels 7% Cv. Pf. 3.5p
Do. 4¾% Cv. Pf. 2.375p
Fuller, Smith & Turner 4.2% 1st Pf. 2.1p
Do. 8% 2nd Pf. 4p
GTE 39.5cts.
Grand Metropolitan 6¼% Pf. 2.1875p
Do. 5% Pf. 1.75p
Great Southern 6.75p Cv. Pf 3.375p
Guinness 6¾% Cv. Un Ln. 1996/2001 4.375pc.
Hartlepools Water 21p
Hull Corp 3½% 1.75pc.
ITT 43cts.
Iceland Frozen Foods Cv. Pf 2.75p
Illingworth Morris (Saltaire) 4½% 1st Pf. 1.575p
Kenning Motor 7% Pf 2.45p
Do. 5½% Pf. 1.925p
Kensington & Chelsea (Royal Borough) 11.15% Rd. 2006 5.575pc.
Kershaw (A) 8% A Pf. 2.8p
Lee Valley Water 4% Irrd. Db. 2pc.
Do. 5% Irrd. Db. 2.5pc.
Do. 7¼% Db. 1991/92 3.625pc.
Do. 7½% Db. 1991/93 3.75pc.
Do. 7¾% Db. 1991/93 3.875pc
Do. 8¼% Db. 1992/94 4.125pc.
Leeds Corp 2½% 1927 (or after) 1.25pc.
Do. 3% Db. 1927 (or after) 1.5pc.
Do. 5% Irrd. 2.5pc
Lilleshall 5% Pf. 1.75p
Do. 9% Cm. Cv. Rd. Pf. 4.5p
*Lincoln Corp. 3% 1919 (or after) 3pc.*
Liverpool Corp. 2¾% 1925 (or after) 2.75pc.
Do. 3½% 1.75pc.
Do. 2½% Rd. 1923 (or after) 1.25pc.
Lowland Inv. 11¼% Db. 2010 5.625pc.
MEPC 10¾% 1st Mtg. Db. 2024 5.375pc.
Marks & Spencer 7% Pf. 2.45p
Marston, Thompson & Evershed 4¼% Db 1992 2.125pc.
Do. 6% Un. Ln. 1993 3pc.
Mersey Docks & Harbour 3⅝% Irrd. Db. 1.8125pc.
Do. 6⅝% Db. 1994/97 3.3125pc.
Metropolitan Water East Lon. Water 3% Db. 1½pc.
Mountleigh 5.25% Cv. Pf. 2.625p
Mucklow (A & J) 11½% 1st Mtg Db. 2014 5.75pc.
Murray Inc. Tst. 4.25% Pf. 2.125p
New Brunswick Railway Perp. 4% Cons. Db. 2pc
New Zealand 7¼% 1988/92 3.625pc.
Newcastle-Upon-Tyne Corp 3½% Irrd. 1.75pc.
Oldham Corp 4% Db. 2pc.
Paramount Comms. 17.5cts
P & O Steam Navigation 6.75% Cv. Pf. 3.375p
Port of London Authority 3% Port of London A 1929/99 1.5pc.
Powell Duffryn 4¾% Pf. 0.83125p
Ranks Hovis McDougall 6% Cm A Pf. 2.1p
Do. 6% Cm. 1st Pf. 2.1p
Do. 6% Cm. B Pf. 2.1p
Reading Corp 3% 1962 (or after) 1.5pc.
Reckitt & Colman 5% Pf. 1.75p
Renold 6% Pf. 2.1p
Republic New York 25cts.
Russell (A.) 5.75% Cv. Rd Pf. 2.875p
Saatchi & Saatchi 6% Cv. Un. Ln. 2015 3pc.
Sara Lee 24cts.
Savage 6.5% (Net) Cv. Pf 3.25p
Sears 7½% Pf 2.625p
Do. 12½% Pf. 4.375p
Do. 7% A Pf. 2.45p
Simons 7½% Pf. 2.625p
Smith (John) (Field Head) 5½% Pf. 1.925p
South Australian 3% Cons. Ins. 1916 (or after) 1½pc.
Sunderland (River Wear Comm) 3% Funded Debt Anns 3pc.
Do. 4½% Funded Debt Anns 4¼pc.
Swansea Corp (3½%) 1.75pc.
Tomkins 6.25p (Net) Cv. Pf. 3.125p
Town Centre Sec 9% Cv. Un. Ln. 1996/2000 4½pc.
Tozer, Kemsley & Millbourn Estates 5½% Pf 1.925p
Wrexham & East Denb Water 3½% Cons. Db. 1¾pc.
Xerox 75cts.
Yates (WE) 7½% Pf 2.625p
Young & Co's Brewery 3½% Irrd. Mtg. Db. 1¾pc.

■ THURSDAY JANUARY 2
Aberfoyle 8% Cv. Un. Ln 1995 4pc.
Alexon 3p
Anglia Water 5⅜% I.L. Ln. 2008 2.8868pc.
Anglo-Eastern Plants. 12½% Un Ln. 1995/99 6¼pc.
Appleby Westward 3p
Assoc. Fisheries 4¾% Pf. 1.6625p
Do 8% Pf. 1.4p
BICC 6p
Do. 6% 1st Pf. 2.1p
Do. 5½% 2nd Pf. 1.925p
BM Cv. Cm Rd Pf. 2.3p
Barry Wehmiller 4.3p
Baxter Intl 18.5cts.
Beazer 1.3p
Beckman (A) 3.15p
Black Arrow 0.5p
Booker 7.5p
Bournemouth & District Water 2.8% Pf. 1.4p
Do. 10⅝% Db. 1996 5 5/16pc
Do. 12¾% Db. 1995 6⅜pc.
Bridon 6% Pf. 1.05p
Bristol Waterworks 4% Cons. Db. Irrd. 2pc.
Do 9.80% Db. 1996 4.9pc
Do. 10.40% Db. 2000/02 5.2pc.
British Aerospace 7.75p Cm Cv. Rd Pf. 3.875p
Brit. Empire Sec. & Gen Tst. 0.61p
Do. 10⅜% Db. 2011 5 3/16pc.
British Sugar 10¾% Db. 2013 5⅜pc.
Bulmer (HP) 9½% Cm. Pf. 4.75p
Do. 8¾% 2nd Cm Pf 4.375p
Bunzl 7% Cv. Un. Ln. 1995/97 3½pc.
CI 0.825p
Caird 1.33p
Calor 6p
Cambridge Water 10% Rd. Db. 1996/98 5pc.
Do. 13% Rd. Db. 2004 6½pc.
Do. 4% Cons. Perp. Db. 2pc.
Do. 9¼% Rd. Db 1992/97 4⅝pc.
*Capital Ventures 8p Cv. Rd. Ptg. Pf. 2001/05 4.14246p*
Carlton Comms. Cv. Pf. 3.25p
Chester Waterworks 8% Pf. 1992 4p
Chillington 9½% Cm. Rd. Pf 4.75p
Credit for Exports Un. Fltg. Rate Nts. 1985/92 $343.66
Dalgety 11.35p
De La Rue 3.5p
Dial Corp. 35cts.
East Worcestershire Waterworks 6.3% Pf. 1992/94 3.15p
Do 9¾% Pf. 1996/97 4.875p
Do. 3% Irrd. Db. 1½pc.
Do 4½% Irrd. Db. 2¼pc.
Do. 5% Irrd. Db. 1924 2½pc
Do. 5% Irrd. Db. 1925 2½pc.
Do. 8% Db. 1991/93 4pc
Do. 12½% Db. 1994/96 6¼pc.
Electrocomponents 1.9p
FII Grp 7.75p
First Debenture Fin. 11.125% Gtd. Db. 2018 5.5625pc.
Fisons 3.3p
Fitzwilton 1.5p
Do. 6½% Cm. Pf. 3.25p
Folkestone & District Water 7% Rd. Pf. 1998 3.5p
Gartmore Amer. Securities 1p
Gencor 6cts.
General Accident 9.7p
Govett Strategic Inv. Tst 4.1p
Hartons 7% Cv Pf 3.5p
Hazlewood Foods 7.5% Ptg Pf. 2.625p
Hewetson 7% Cv. Pf. 3.5p
High-Point 4.95p
Inchape 5p
Jarvis 0.25p
Johnson Grp. Cleaners 9% Pf 3.15p
Do. 7.5p Cv. Pf. 3.75p
Ladbroke 4.92p
Lawrence (Walter) 2p
Locker (Thomas) 0.35p
Do. NV A 0.35p
London County Free & Lease Prop. 6¼% 1st Mtg. Db. 1986/95 3⅛pc.
Do. 7¾% 1st Mtg. Db. 1992/96 3⅞pc.
Do. 7¼% 1st Mtg. Db. 1991/95 3⅝pc.
Lyles (S.) 2.95p
Manchester Ship Canal 3½% Perp. Db. 1¾pc.
Do. 4% Perp Db. 2pc.
Do 4% Perp 2nd Mtg. Db. 2pc
Do. 4% Perp. 1st Mtg Db 2pc.
Do. 1st 3½% Perp. Mtg. Db. 1¾pc.
Martin (Albert) 1.7p
Merchant Retail 5% Pf. 2.5p
Do. 8¾% Cv. Un. Ln. 1999/2004 4⅜pc.
Mid-Sussex Water 4% Perp. Db. 2pc.
Do. 5% Perp. Db. 2½pc.
Do 11% Db. 2012/16 5½pc.
Mucklow (A. & J.) 3.078p
Portals Hldgs. 6% Pf. 2.1p
Property Sec. Inv. Tst. 8% Pf. 4p
Rand Mines Props 180cts.
Rights & Issues Inv. 7.7805p
Do 5½% Pf. 5.5p
Sears Roebuck 50cts
Silentnight 2.25p
Simon Eng 5p
Do 6% Pf. 2.1p
Do 6.35% Pf. 1991/96 3.175p
Do. 5.4% Pf. 2.7p
Do. 4% Pf. 1984/96 2p
Do. 7.75% Pf. 1992/97 3.875p
Slingsby (H.C.) 2p
South Staffordshire Water 9% Rd. Pf. 1998/2000 4.334185p
South Staffordshire Waterworks 9¼% Db. 1998/2000 4⅝pc.
Do. 7⅞% Db. 1991/96 3 15/16pc.
Do. 7½% Db 1991/94 3¾pc
Do 5% Perm. Db 2.5pc.
Do 4% Perm. Db. 2pc.
Do. 3½% Perm. Db. 1¾pc.
TMC PIMBS 2nd Fin. £30m Nts. July 2030 £1388169.0
TR Far East Income Tst. 1.1p
*TSB 12% Sb. Bd. 2011 6pc.*
Tendring Hundred Waterworks 12% Rd. Db. 1993 6pc.
Tops Estates 10¼% 1st Mtg. Db. 2011/16 5⅛pc.
Town Centre Securities 1.9p
Tyne Tees TV 5p
UniChem 1.7p
Unigroup 7¼% Cm Cv Rd. Pf 3.625p
Usborne 0.1p
Vinten Grp. 1.8p
Waste Mngmt 11cts
Wembley 7.5% Cv. Un. Ln. 1999 3.75pc.
West Hampshire Water 4.2% Pf. 21p
Do. 3.85% Pf 19.25p
Do. 3.15% Pf. 15.75p
Do. 5% Perp. Db 2½pc.
Do. 4% Perp. Db 2pc.
Do. 11.80% Db 1995/97 5.9pc.
Western Motor 5½% Pf. 1.925p
Willis Corroon 3.3p
Wrexham & East Denb Water 4.9% Ptg 3.679p
Do. 7⅞% Rd Pf 1996/98 4.125p
Do. 3.5% Ptg. Pf. 2.625p
York Waterworks 2.8p
Do. N/Vtg. A 2.8p
Do. 9% Rd. Pf. 1997 4.5p
York Waterworks Co. 13% Rd. Db. 1994 6½pc.
Do. 11.8% Rd. Db 1995/97 5.9pc.
Do. 10% Rd. Db. 1996/98 5pc

■ FRIDAY JANUARY 3
Allied Lon. Props. 2.455p
Armour Tst. 1.1175p
BAT Inds 11.6p
Baird (Wm.) 3.55p
Brent Chems. Int. 9% Cm. Rd. Pf. 4.5p
Bridon 2.5p
Brit. Polythene Inds 9.25% Cm. Rd. Pf. 4.625p
Cater Allen 6p
Coats Viyella 3p
E-Systems 18.75cts.
European Colour 6½% Cm. Ptg Pf. 6.3p
European Leisure 0.2p
Evans of Leeds 1.3p
*Finlay (James) 2p*
Fleming High Income Inv. 1.45p
Honeysuckle 1p
Jerome (S.) 1p
Joseph (Leopold) 3.1p
Kleinwort High Inc 1.875p
Peek 1.05p
Powell Duffryn 6.6p
Ralston Inv. Tst. 0.725p
Sims Food 3p
Temple Bar Inv. Tst. 4.2% Cm Pf. 2.1p
*Time Products 2.65p*
Utd Biscuits 5.5p
Whitbread Inv. 4.2p
Whitbread A Lim/Vtg. 4.55p

■ SATURDAY JANUARY 4
African Dev. Bank 11.125% Ln. 2010 5 9/16pc.

■ SUNDAY JANUARY 5
Annuities 2¾% 1⅜pc.
Annuities 2½% 1¼pc
Consolidated 2½% 1¼pc
Croydon Corp. 3½pc. 1¾pc
McInerney Estates 9.675% Gtd. Cm. Rd Pf. 1997 4.8375p
Nat West Bank 12½% Sb Un. Ln. 2004 6¼pc



## CONSTRUCTION CONTRACTS

# District offices for British Gas

CONDER PROJECTS, the design and build division of Conder Group, has been awarded the £2.25m contract to construct district offices *(pictured)* for British Gas Southern on its site at Reading.

The 2,700 sq metre steel framed building will be L shaped and comprise three storeys built around a central glazed atrium. There will be a mixture of cellular open plan offices with restaurant and conference facilities.

# Warehouse project at Magna Park

SIMONS CONSTRUCTION has been awarded a £12m contract from the Butterworth Partnership, the joint venture development between Gazeley Properties and the Church Commissioners.

The contract entails the construction of a 380,000 sq ft distribution warehouse with mezzanine floors, large areas of racking, and 40,000 sq ft of offices for Argos Distribution. The project commenced on site during the first week of December and is due to be completed in April 1993.

This will be the third unit built by Simons Construction on the Magna Park site in Lutterworth. Previous projects have included a 120,000 sq ft unit for Avon and a 110,000 sq ft unit for Nicholas Pharmaceuticals.

This project brings the total development at Magna Park to 3.2m sq ft achieved in the last four years. One million sq ft remain to be developed within the first phase.

Other contracts include a £10m design and build contract for Birds Eye Walls in Lowestoft; £6.6m from the PSA in Southampton in a joint venture with Gazeley Properties; £6m from Safeway in Eastwood, Nottingham, and a further £4m from the developers Morbaine for the new Safeway store in Newport, Wales.

A £2m contract will commence shortly on a motorway service station for Granada. Other work includes a £2m contract for Glaxo in Ware; a £1.3m order for Anglian Water Authority in Lincoln and a £1.3m project for British Gas in Hornsey.

# £8m workload won by Allen companies

ALLEN GROUP has gained orders with a total value in excess of £8m. Allen-Fox Construction and Allen Building have secured design and build and traditional construction work ranging from the building of sheltered housing and flats through to industrial advance factory units.

New housing association flats and houses are being built in three separate schemes in Wigan, Accrington and Rochdale, while a refurbishment project is for local authority housing in Manchester.

Projects also include advance factory units at Bromborough for English Estates, work for Lancashire County Enterprise and industrial units for the Metropolitan Borough of Wigan. Schools refurbishment is also being undertaken for City of Manchester and Oldham Metropolitan Borough.

# Building retail outlets for Waitrose

COSTAIN BUILDING & CIVIL ENGINEERING, based in London, has been awarded contracts to build two Waitrose stores at Longfield, near Dartford in Kent, and Chichester in West Sussex for the John Lewis Partnership.

The Longfield store has a gross floor area of 2,555 sq metres housing the retail area on the ground floor with offices and staff amenities above. The contract includes a car park for nearly 200 vehicles and is due for completion in September 1992.

The Chichester store has a gross area of 2,870 sq metres and includes the provision of storage, offices and staff amenities at first floor level. External works will include a 265 space car park, a mini roundabout and the relocation of a coach park.

Each store will consist of a structural steel frame with traditional block and brick cavity walls and a slated pitched roof.



# Archives storage facility

HALL & TAWSE GROUP, the *construction arm of Raine* Industries, has won a £1.5m contract to erect purpose-built offices which will solve Nottinghamshire County Council's archive storage headaches.

Nottingham-based Hall & Tawse Eastern recently started work on a 15 month contract to build an archives office for the local authority.

The two-storey 2,000 sq metre building will house documents currently stored in three buildings where space is under increasingly severe pressure.

It will incorporate the main storage area, office space, a conservation workshop and study facilities for the public to view documents.

The purpose-built facilities were designed by architects Corstorphine and Wright - a Nottingham and Warwick based firm.

The building is being constructed near the city centre adjoining both the city's proposed new magistrate's court complex and Inland Revenue headquarters. It is being built in traditional materials with facing bricks and a tiled roof to fit in with the two other planned developments.

The site, however, has very poor ground bearing conditions and the use of CLASP construction has allowed the sub-base and slab for the building to be erected directly off the ground surface to avoid disturbance and instability of the underlying ground.

Certain aspects of the building have been specially designed to ensure the safety of the material stored in the offices. Extra-strength composite flooring will be used to take the high loads from the first floor storage area and a special heating system will ensure that the documents can be stored at even temperatures.

## UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Rosehaugh, Claridges, Brook Street, W., 10.00
Tottenham Hotspur, Chanticleer Restaurant, Paxton Road, Tottenham, N., 2.00

■ TOMORROW
COMPANY MEETINGS:
Bellwinch, Hilton National Hotel, Empire Way, Wembley, 10.00
Regina Health & Beauty Products, Gresham College, Barnards Inn Hall, Holborn, E.C., 10.30
BOARD MEETINGS.
Finals:
Regina Health & Beauty

■ FRIDAY JANUARY 3
COMPANY MEETINGS:
MMT Computing, 14, Angel Gate, City Road, E.C., 2.00
McLeod Russel, New Connaught Rooms, Great Queen Street, W.C., 11.00
BOARD MEETINGS:
Finals:
First National Finance

*Company meetings are annual general meetings unless otherwise stated.*

# WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

Price data supplied by Telekurs.

## CANADA

TORONTO

4:00 pm prices December 27

[illegible]

Total Sales 5,027,100 shares

MONTREAL

4:00 pm prices December 27

[illegible]

## INDICES

### NEW YORK

| DOW JONES | Dec 27 | Dec 26 | Dec 24 | Dec 23 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 3101.52 | 3082.96 | 3050.98 | 3022.58 | 3101.52 (27/12) | 2470.30 (9/1) | 3101.52 (27/12/91) | 41.22 (2/7/32) |
| Home Bonds | 98.73 | 98.42 | 98.40 | 98.32 | 98.73 (27/12) | 91.30 (16/1) | 98.73 (27/12/91) | 54.99 (1/10/81) |
| Transport | 1314.84 | 1315.02 | 1286.06 | 1258.03 | 1315.02 (26/12) | 894.30 (7/1) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 220.52 | 220.52 | 219.95 | 220.71 | 221.64 (2/12) | 195.17 (10/7) | 236.23 (2/1/90) | 10.50 (8/4/32) |

◆Day's High 3121.65 (3101.97) Low 3063.73 (3036.23)

### STANDARD AND POOR'S

| | Dec 27 | Dec 26 | Dec 24 | Dec 23 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 406.46 | 404.84 | 399.33 | 396.82 | 406.46 (27/12) | 311.49 (9/1) | 406.46 (27/12/91) | 4.40 (1/6/32) |
| Industrials | 479.39 | 476.81 | 469.46 | 467.45 | 479.39 (27/12) | 364.90 (9/1) | 479.39 (27/12/91) | 3.62 (21/6/32) |
| Financial | 33.62 | 33.49 | 32.57 | 31.92 | 33.62 (27/12) | 21.96 (9/1) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 223.75 | 222.61 | 219.65 | 218.13 | 223.75 (27/12) | 170.97 (9/1) | 223.75 (27/12/91) | 4.46 (25/4/42) |
| Amex Mkt. Value | 382.94 | 377.52 | 373.45 | 370.93 | 392.37 (12/11) | 296.72 (14/1) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 565.71 | 559.30 | 549.56 | 543.90 | 565.71 (27/12) | 355.75 (14/1) | 565.71 (27/12/91) | 54.87 (31/10/72) |

| | Dec 20 | Dec 13 | Dec 6 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.13 | 3.14 | 3.17 | 3.92 |

| | Dec 24 | Dec 18 | Dec 11 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.68 | 2.78 | 3.22 | 3.31 |
| S & P Indl. P/E ratio | 24.21 | 23.24 | 21.05 | 15.92 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| RJ Nabisco | 3,553,500 | 10¾ | + ⅛ |
| West Elect. | 2,659,900 | 16¾ | + ¼ |
| Citicorp | 2,458,300 | 10⅝ | - ⅛ |
| Am Express | 2,289,500 | 21 | + ½ |
| AT & T | 1,640,800 | 39⅛ | + ½ |
| Gen Motors | 1,575,800 | 27⅞ | - ⅛ |
| IBM | 1,540,100 | 89⅞ | + 1⅛ |
| Glaxo | 1,529,600 | 30¾ | - ⅛ |
| First Man | 1,445,700 | 38⅞ | - 4½ |
| Gen Elect | 1,443,800 | 74 | - 1⅛ |

### TRADING ACTIVITY

| † Volume (Millions) | Dec 27 | Dec 26 | Dec 24 |
|---|---|---|---|
| New York SE | 154.995 | 149.200 | 162.300 |
| Amex | 14.188 | 12.600 | 11.344 |
| NASDAQ | (u) | 133.277 | 131.457 |
| NYSE | | | |
| Issues Traded | 2,183 | 2,170 | 2,145 |
| Rises | 1,091 | 1,288 | 1,270 |
| Falls | 588 | 440 | 431 |
| Unchanged | 504 | 442 | 444 |
| New Highs | 230 | 211 | 196 |
| New Lows | 13 | 10 | 15 |

### CANADA

| TORONTO | Dec 27 | Dec 26 | Dec 24 | Dec 23 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2917.66 | (c) | 2820.53 | 2771.19 | 3299.99 (18/7) | 2632.06 (9/1) |
| Composite | 3441.91 | (c) | 3402.00 | 3378.15 | 3604.09 (12/11) | 3161.95 (15/1) |
| MONTREAL Portfolio | 1832.13 | (c) | 1810.02 | 1801.30 | 1907.35 (12/11) | 1606.89 (9/1) |

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Dec 27 | Dec 26 | Dec 24 | Dec 23 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| AUSTRALIA | | | | | | |
| All Ordinaries (1/1/80) | 1594.9 | (c) | 1575.1 | 1558.8 | 1696.3 (8/11) | 1204.5 (16/1) |
| All Mining (1/1/80) | 636.2 | (c) | 629.2 | 625.5 | 707.2 (24/7) | 561.6 (16/1) |
| AUSTRIA | | | | | | |
| Credit Aktien (30/12/84) | 376.49 | (c) | (c) | 373.78 | 534.81 (16/4) | 373.78 (23/12) |
| BELGIUM | | | | | | |
| BEL20 (1/1/91) | 1082.94 | (c) | 1079.68 | 1071.41 | 1212.15 (17/4) | 917.39 (17/1) |
| DENMARK | | | | | | |
| Copenhagen SE (3/1/83) | 349.15 | (c) | (c) | (c) | 380.04 (2/8) | 302.26 (8/1) |
| FINLAND | | | | | | |
| HEX General (28/12/90) | 767.2 | (c) | (c) | 765.2 | 1186.9 (8/4) | 765.2 (23/12) |
| FRANCE | | | | | | |
| CAC General (31/12/82) | 470.29 | 465.29 | 457.40 | 451.16 | 503.51 (15/11) | 394.88 (15/1) |
| CAC 40 (31/12/87) | 1728.65 | 1722.48 | 1699.10 | 1633.57 | 1887.29 (1/10) | 1425.26 (15/1) |
| GERMANY | | | | | | |
| FAZ Aktien (31/12/58) | 636.91 | (c) | (c) | 626.75 | 717.47 (17/6) | 570.48 (15/1) |
| Commerzbank (1/12/53) | 1794.90 | (c) | (c) | 1767.0 | 2035.2 (31/5) | 1612.5 (15/1) |
| DAX (30/12/87) | 1563.59 | (c) | (c) | 1539.62 | 1715.80 (11/6) | 1311.82 (16/1) |
| HONG KONG | | | | | | |
| Hang Seng Bank (31/7/64) | 4236.20 | (c) | 4192.76♥ | 4146.12 | 4271.34 (15/11) | 2984.01 (16/1) |
| IRELAND | | | | | | |
| ISEQ Overall (4/1/88) | (c) | (c) | 1357.56 | 1347.62 | 1520.65 (15/3) | 1134.86 (25/1) |
| ITALY | | | | | | |
| Banca Comm. Ital. (1972) | 496.66 | (c) | (c) | 490.23 | 619.38 (3/6) | 482.89 (10/12) |
| JAPAN † | | | | | | |
| Nikkei (16/5/49) | 22437.32 | 22555.07 | 21664.53 | (c) | 27146.91 (18/3) | 21456.76 (19/8) |
| Tokyo SE (Topix) (4/1/68) | 1673.25 | 1685.55 | 1638.06 | (c) | 2028.85 (18/3) | 1625.09 (17/1) |
| 2nd Section (4/1/68) | 2424.50 | 2437.33 | 2429.16 | (c) | 3423.45 (10/5) | 2424.50 (27/12) |
| MALAYSIA | | | | | | |
| KLSE Composite (4/4/86) | 551.80 | 550.48 | 549.78 | 548.52 | 635.02 (29/5) | 470.41 (16/1) |
| NETHERLANDS | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 271.5 | (c) | 269.8 | 266.9 | 284.8 (5/6) | 221.4 (16/1) |
| CBS All Shr (End 1983) | 190.6 | (c) | 189.5 | 187.5 | 203.1 (5/6) | 162.3 (16/1) |
| NORWAY | | | | | | |
| Oslo SE (Ind) (2/1/83) | 662.45 | (c) | (c) | 635.03 | 793.55 (26/8) | 596.77 (2/12) |
| PHILIPPINES | | | | | | |
| Manila Comp (2/1/85) | 1151.87 | 1138.78 | 1125.12 | 1115.46 | 1183.49 (29/5) | 982.64 (10/1) |
| SINGAPORE | | | | | | |
| SES All-Singapore (2/4/75) | 400.17 | 397.43 | 395.06 | 392.16 | 422.43 (26/4) | 319.07 (16/1) |
| SOUTH AFRICA | | | | | | |
| JSE Gold (28/9/78) | (c) | (c) | 1178.0 | 1174.0 | 1469.0 (5/7) | 971.0 (25/2) |
| JSE Industrial (28/9/78) | (c) | (c) | 4098.0 | 4098.0 | 4364.0 (13/11) | 2829.0 (16/1) |
| SOUTH KOREA | | | | | | |
| Korea Comp Ex. (4/1/80) | (c) | 610.92 | 610.59 | 586.51 | 763.10 (6/8) | 586.51 (23/12) |
| SPAIN | | | | | | |
| Madrid SE (30/12/85) | 237.31 | 235.51 | (c) | 231.69 | 289.22 (18/3) | 213.70 (14/1) |
| SWEDEN | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 906.70 | (c) | (c) | 880.20 | 1149.8 (11/7) | 808.4 (8/1) |
| SWITZERLAND | | | | | | |
| Swiss Bank Ind. (31/12/58) | 729.0 | (c) | (u) | 710.7 | 769.3 (14/11) | 598.4 (14/1) |
| SBC General (1/4/87) | 590.1 | (c) | (u) | 574.6 | 638.0 (31/5) | 487.1 (14/1) |
| TAIWAN | | | | | | |
| Weighted Price (30/6/66) | 4540.55 | 4529.58 | 4449.58 | 4459.75 | 6305.22 (9/5) | 3316.26 (15/1) |
| THAILAND † | | | | | | |
| Bangkok SET (30/4/75) | 702.60 | 698.19 | 683.36 | 688.98 | 908.13 (19/6) | 582.48 (16/1) |
| WORLD | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 522.8* | 519.8 | 510.1 | 509.1 | 529.2 (17/4) | 439.1 (16/1) |

† Dec 25: Japan Nikkei 22461.17; Tokyo SE 1675.33; 2nd Section 2424.86; Thailand 689.36
‡ Subject to official recalculation. ♥ Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE 26 Industrials — 264.8 and Australia All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Friday, 27 December, 1991

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsui Mng Sm | 6.2m | 452 | -8 |
| Penta-Ocean | 6.1m | 870 | -10 |
| Toyo Ink | 5.0m | 855 | -25 |
| Okamoto | 4.4m | 855 | -28 |
| Meiji Milk | 4.3m | 878 | -42 |
| Clarion | 3.8m | 851 | -40 |
| Sato Kogyo | 3.1m | 1,440 | - |
| Nippon Steel | 2.8m | 388 | +2 |
| NKK | 2.8m | 331 | -1 |
| Konica | 2.8m | 735 | -75 |

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

## AUTHORISED UNIT TRUSTS

**Morgan Grenfell Invest Fds Ltd (1000)H**
20 Finsbury Circus, London EC2M 1UT
Dealers 071-826 0826 Enquiries 071-826 0123

| Unit Name | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| American Gwth | 5¼ | 166 9 | 166 9 | 178 8 | 0 70 | 41048 |
| European Gth Inc | 5¼ | 185 0 | 185 0xd | 199 2 | 0 00 | 46684 |
| European Gth Acc | 5¼ | 185 7 | 185.7xd | 199 9 | 0 00 | 41049 |
| Intl Gwth | 5¼ | 129 2 | 129 2xd | 137 5 | 0 00 | 41050 |
| Uk Equity Inc | 5¼ | 107.0 | 107 0 | 115 3 | 5.69 | 41056 |
| UK Equity Acc | 5¼ | 123 4 | 123 4 | 132 9 | 5 69 | 41057 |
| UK Ind Tracker Inc | 5 | 116 1 | 116 1 | 124 1 | 3 97 | 46654 |
| UK Ind Tracker Acc | 5 | 126 2 | 126.2 | 134 9 | 3 97 | 46655 |
| US Eq Ind Tracker Inc | 5 | 136 5 | 136 5 | 146 4 | 3 07 | 46658 |
| US Eq Ind Tracker Acc | 5 | 141 8 | 141 8 | 152 1 | 3 07 | 46657 |
| Japan Tracker | 5 | 55 85 | 55 85xd | 59.23 | 0 00 | 46921 |
| Asian Trader | 5¼ | 76 42 | 76 42 | 82.39 | 1 92 | 40109 |
| Managed Inc | 5¼ | 94 00 | 94 00xd | 101 1 | 2 08 | 46922 |
| Managed Acc | 5¼ | 96 45 | 96 45xd | 103.7 | 2 08 | 46923 |
| Cash Inc | 0 | 100.39 | 100.39xd | 100 39 | 10 63 | 44556 |
| Cash Acc | 0 | 112 98 | 112 98xd | 112 98 | 10 63 | 44555 |
| Europa | 5¼ | 96 66 | 96 66 | 103 6 | 0 00 | 43122 |
| Genesis | 5 | 93 69 | 93 69 | 99 98 | 0 00 | - |

For Geoffrey Morley see Commercial Union

**Murray Johnstone UT Mgmt (1000)H**
7 West Nile St, Glasgow G2 2PX 0345 090 933

| Unit Name | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Acumen | 5 | 66.30 | 66 63 | 71 12 | 6 10 | [illegible] |
| Acumen Reserve | 3 | 66 79 | 66 79 | 68 78 | 9 61 | 46738 |
| American Income | 5 | 127 37 | 127 40 | 135 00 | 3 49 | 41056 |
| Equity Income | 5 | 74 59 | 74 59xd | 79 60 | 6 23 | 41057 |
| European | 5 | 50 51 | 50 51 | 53 86 | 1 43 | 41058 |
| Far Eastern | 5 | 99 99 | 99 99 | 106 70 | 1 08 | 41059 |
| Smaller Cos | 5 | 44.93 | 44 93xd | 47 95 | 2 72 | 41060 |
| Olympiad | 5¼ | 43 75 | 43 75 | 46 69 | 2 01 | 41061 |
| Olympiad Income | 5¼ | 41 15 | 41 15xd | 43 91 | 6 23 | 41062 |
| UK Growth | 5 | 69 29 | 69 29 | 73 95 | 2 15 | 41063 |

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| **Sovereign Unit Tst Mngrs Ltd (1000)F** | | | | | | |
| 12 Christchurch Rd, Bournemouth 0202 298422 | | | | | | |
| Cash | 1 | 50.03 | 50.03xd | 50.53 | 10.6 | 46346 |
| Cntrl'd Prfrnce | 5¼ | 47.71 | 48.02 | 51.22 | 9.43 | 46073 |
| Ethical | 5¼ | 45.38 | 46.39 | 49.35 | 5.21 | 46348 |
| European Growth | 5¼ | 43.41 | 43.59 | 46.50 | 3.40 | 46171 |
| Income | 5¼ | 43.27 | 43.27 | 46.71 | 8.36 | 41394 |
| Intl Growth | 5¼ | 59.65 | 59.75 | 63.73 | 3.48 | 41395 |
| Managed | 5¼ | 53.45 | 53.78 | 57.37 | 4.92 | 41396 |
| UK Growth | 5¼ | 46.77 | 47.38 | 50.54 | 6.24 | 41397 |
| **Standard Chartered Equitor (1200)F** | | | | | | |
| 69 Old Broad Street, EC2M 1QS 071-280 6521 | | | | | | |
| Mngd Exempt Acc | 3 | 183.7 | 185.8 | 193.5 | 3.18 | 41499 |
| Do Income | 3 | 175.3 | 177.4 | 184.7 | 3.18 | 41321 |
| **Standard Life Tst Mgmt Ltd (0629)H** | | | | | | |
| 3 George St, Edinburgh EH2 2XZ 0800 393777 | | | | | | |
| Managed Acc | 5¼ | 33.68 | 33.68 | 35.79 | 2.79 | 41398 |
| UK Equity Gth Acc | 5¼ | 45.57 | 46.46 | 49.37 | 2.52 | 41399 |
| UK Eq High Inc Inc | 5¼ | 27.11 | 27.82 | 29.56 | 7.20 | 41400 |
| UK Eq High Inc Acc | 5¼ | 30.48 | 31.28 | 33.24 | 7.20 | 46462 |
| UK Equity Gen Acc | 5¼ | 42.98 | 43.75 | 46.49 | 3.88 | 41401 |
| UK Equity Gen Inc | 5¼ | 33.63 | 34.24 | 36.38 | 3.88 | 41402 |
| UK Larger Cos Acc F | 7½ | 280.5 | 284.8 | 309.1 | 5.05 | 41403 |
| UK Larger Cos Inc F | 7½ | 225.9 | 229.4 | 248.9 | 5.05 | 41404 |
| Gilt & Fxd Int Inc | 5¼ | 27.64 | 27.71 | 29.31 | 7.99 | 41405 |
| O'seas Lrg Cos Acc F | 7½ | 198.0 | 201.5 | 218.7 | 2.17 | 41406 |
| Nth American Acc | 5¼ | 34.04 | 34.15 | 36.29 | 0.65 | 41407 |
| Far East Acc F | 5¼ | 36.73 | 37.61 | 39.97 | - | 41408 |
| European Acc | 5¼ | 31.78 | 33.31 | 35.40 | 1.87 | 41409 |
| **Stewart Ivory Unit Tst Mgrs Ltd (1200)H** | | | | | | |
| 45 Charlotte Sq, Edinburgh 031-226 3271 | | | | | | |
| American ♥ | 5 | 274.4 | 274.4 | 293.6 | 0.81 | 41410 |
| (Accum Units) ♥ | 5 | 323.0 | 323.0 | 345.6 | 0.81 | 41411 |
| British | 5 | 783.6 | 796.6 | 842.8 | 6.16 | 41416 |
| (Accum Units) | 5 | 1287.5 | 1308.8 | 1384.7 | 6.16 | 41417 |
| European | 5 | 310.3 | 310.3 | 330.5 | 1.53 | 41418 |
| (Accum Units) | 5 | 336.4 | 336.4 | 358.3 | 1.53 | 41419 |
| Japan | 5 | 104.7 | 104.7 | 111.5 | - | 41420 |
| (Accum Units) | 5 | 105.5 | 105.5 | 112.4 | - | 41421 |
| New Pacific | 5 | 160.2 | 160.2 | 170.7 | 2.09 | 46365 |
| (Accum Units) | 5 | 164.5 | 164.5 | 175.3 | 2.03 | 47954 |
| PEP Dec 18 | 5 | 140.9 | 142.4 | 150.7 | 3.73 | 47980 |
| Mngd Equity | 5 | 117.6 | 118.9 | 125.8 | 3.61 | 47986 |
| Mngd Equity Acc | 5 | 124.8 | 126.2 | 133.5 | 3.61 | 40666 |
| Mngd Cash | 5 | 97.14 | 97.14 | 97.14 | 10.62 | 47985 |
| (Accum Units) | 5 | 117.4 | 117.4 | 117.4 | 10.62 | 40267 |
| Majority Stlg | 1 | 101.17 | 101.17 | 102.19 | 10.38 | 42703 |
| Majority Stlg Acc | 1 | 108.15 | 108.15 | 109.24 | 10.38 | 46681 |
| **Starebrand Intl Inv Mngrs Ltd (1200)F** | | | | | | |
| Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex | | | | | | |
| Enquiries: 0277 227300 Dealing: 0277 261010 | | | | | | |
| International Dec 13 | 0 | 49.82 | 49.82 | 50.27 | 3.40 | 44406 |
| **Sun Alliance Unit Tst Mngmt Ltd (1200)F** | | | | | | |
| St Mark's Court, Horsham 0403 232323 | | | | | | |
| Equity | 6 | 574.3 | 582.1 | 622.6 | 3.31 | 41423 |
| North America | 6 | 76.21 | 77.11 | 82.47 | 0.69 | 41424 |
| Far East | 6 | 82.51 | 83.40 | 89.20 | 1.07 | 41425 |
| W'wide Bond | 6 | 47.18 | 47.36 | 50.38 | 6.32 | 41426 |
| European | 6 | 62.18 | 62.59 | 66.94 | 1.95 | 41429 |
| Equity Income | 6 | 63.22 | 64.23xd | 68.69 | 6.00 | 41430 |
| Portfolio | 6 | 54.31 | 54.87 | 58.68 | 2.50 | 41431 |
| **Sun Life of Canada Unit Mgrs Ltd (1000)H** | | | | | | |
| Basingview, Basingstoke, Hants 0800 525725 | | | | | | |
| American Growth | 6 | 25.22 | 25.22 | 26.98 | 0.75 | 47775 |
| Managed Assets | 6 | 96.76 | 97.49 | 104.27 | 4.12 | 44867 |
| UK Income | 6 | 28.65 | 29.14xd | 31.17 | 4.95 | 41432 |
| UK Growth | 6 | 29.02 | 29.44 | 31.49 | 3.71 | 41433 |
| Worldwide Growth | 6 | 22.41 | 22.41 | 23.97 | 1.22 | 41434 |
| **Sun Life Trust Mngmt Ltd (1200)H** | | | | | | |
| 101, Cannon St, London EC4N 5AD | | | | | | |
| Admin & Enq: 071-606 4044 Dealing: 071-606 6010 | | | | | | |
| Master Portfolio | 5¼ | 32.20 | 32.20 | 34.44 | 1.96 | 41435 |
| Amer Growth Acc | 5¼ | 40.03 | 40.03 | 42.73 | 0.19 | 41436 |
| Cap Protector Acc | 5¼ | 32.69 | 33.25 | 35.56 | 4.80 | 41439 |
| Cap Protector Inc | 5¼ | 28.77 | 29.26 | 31.29 | 4.80 | 41440 |
| Euro Growth Acc | 5¼ | 54.67 | 54.67 | 58.32 | 0.93 | 41441 |
| Far East Gwth Acc | 5¼ | 71.24 | 71.24 | 76.19 | 0.41 | 41444 |
| Japan Growth Acc | 5¼ | 85.77 | 85.77 | 91.59 | 0.00 | 41446 |
| UK Growth Acc | 5¼ | 53.43 | 53.43 | 57.14 | 3.13 | 41447 |
| UK Income Acc | 5¼ | 53.34 | 53.34 | 57.05 | 6.08 | 41448 |
| UK Income Inc | 5¼ | 41.48 | 41.48 | 44.36 | 6.08 | 41449 |
| Mngd Extra Income Inc | 5¼ | 24.13 | 24.19 | 25.87 | 5.87 | 43702 |
| Mngd Extra Income Acc | 5¼ | 25.25 | 25.31 | 27.07 | 5.87 | 43708 |
| Mngd Growth Acc | 5¼ | 62.84 | 62.84 | 66.78 | 1.24 | 41450 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Funds in Court*** | | | | |
| Capital Dec 12 | 467.53 | 479.98 | 3.00 | 40505 |
| Gross Dec 12 | 174.61 | 176.02 | 11.08 | 40506 |
| High Yield Dec 12 | 273.64 | 275.83 | 7.98 | 40507 |
| * Restricted to monies under Court control | | | | |
| **Henderson Unit Trust Management Ltd** | | | | |
| Pensions Mngd | 49.92 | 52.02 | 4.53 | 40676 |
| **INVESCO MIM Management Ltd** | | | | |
| Exempt Funds | | | | |
| Intl Mngd P'Folio | 1107.0 | 1194.0 | - | 46964 |
| Mngd Pens (Acc) | 62.7 | 66.8 | - | 41007 |
| **Lazard Brothers & Co. Ltd** | | | | |
| Property Sept 5 | £2440.0 | 2600.0 | 7.00 | 40777 |
| Inc Gth Prp Jul 31 | £1375.0 | 1460.0 | 8.90 | 40778 |
| **Lazard Investors Ltd ‡‡** | | | | |
| Exempt Funds | | | | |
| Small Co's Dec 23 | £3791.9 | 3955 | 4.13 | 40766 |
| European Dec 23 | £527.0 | 532.7 | 2.13 | 40776 |
| American Dec 23 | £319.6 | 323.1 | 2.51 | 40773 |
| Japan Dec 23 | £448.1 | 453.1 | 1.44 | 40774 |
| Pacific Dec 23 | £124.9 | 128.4 | 2.16 | 40775 |
| W Midlands Sep 30 | £136.50 | 192.90 | 2.49 | 40771 |
| **Local Authorities Mutual Invest. Tst.*** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Property Nov 30 | 193.55 | 197.40 | 7.94 | 40825 |
| Equity Nov 30 | 824.90 | 846.60 | 4.15 | 40826 |
| * Available only to Local Authorities | | | | |
| **M & G Securities Ltd** | | | | |
| Charifund Dec 24 | 305.11 | | 10.46 | 40883 |
| (Accum Units) | 608.27 | | 10.46 | 40884 |
| NAACIF Dec 24 | 39.52 | | 9.95 | 46917 |
| **Morgan Grenfell Investment Funds Ltd** | | | | |
| Exempt Funds | | | | |
| UK Equity † Dec 24 | 116.8 | 125.6 | 2.16 | 46925 |
| UK Small Co † Dec 24 | 507.6 | 557.8 | 3.58 | 46926 |
| Fixed Interest † Dec 24 | 109.1 | 114.8 | 8.71 | 46920 |
| US Small Co Dec 24 | 146.0 | 156.2 | 0.00 | 46927 |
| Managed Dec 24 | 102.2 | 109.5 | 3.61 | 46924 |
| Intl Bond Dec 24 | 118.4 | 124.9 | 10.26 | 47790 |
| Japan Dec 24 | 66.27 | 70.90 | 4.14 | 47877 |
| European Dec 24 | 82.21 | 88.11 | 1.98 | 47876 |
| Nth American Dec 24 | 101.4 | 109.4 | 1.47 | 47878 |
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Exmt Dec 27 | 49.76 | 51.75 | 2.02 | 41064 |
| Euro Exmt Dec 27 | 48.24 | 50.66 | 2.82 | 41065 |
| Fixed Int Ex Dec 27 | 47.17 | 48.34xd | 9.66 | 46594 |
| Japan Exmt Dec 27 | 40.74 | 42.37xd | 0.79 | 41066 |
| Managed Ex Dec 27 | 42.32 | 44.02 | 4.55 | 41067 |
| SE Asia Exmt Dec 27 | 68.40 | 71.81 | 2.84 | 41068 |
| Sm Cos Exmt Dec 27 | 34.02 | 35.73xd | 3.41 | 41069 |
| UK Eqty Ex Dec 27 | 40.66 | 42.72 | 3.90 | 41070 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Dec 4 | 691.76 | 736.68 | 4.41 | 41138 |
| Do Accum | 796.96 | 848.48 | 4.41 | 41139 |
| Int Exmt Dec 19 | 169.61 | 173.34 | 2.19 | 41140 |
| UK Index Dec 4 | 1128.01 | 1142.40 | 4.70 | 46945 |
| Do Accum | 1237.05 | 1252.82 | 4.70 | 46946 |
| Convertible Dec 23 | 90.38 | 93.48 | 6.55 | 46938 |
| World ex UK Index Dec 17 | 759.61 | 769.07 | 1.93 | 47887 |
| Do Accum | 759.61 | 769.07 | 1.93 | 47888 |
| Japan Index Dec 17 | 570.72 | 579.68 | 0.78 | 47881 |
| Do Accum | 572.70 | 581.70 | 0.78 | 47882 |
| USA Index Dec 17 | 959.64 | 966.28 | 2.92 | 47885 |
| Do Accum | 991.94 | 998.8 | 2.92 | 47886 |
| Europe ex UK Index Dec 17 | 838.01 | 851.99 | 2.94 | 47879 |
| Do Accum | 866.33 | 880.78 | 2.94 | 47880 |
| Pacific ex Jap Index Dec 17 | 947.58 | 973.15 | 3.63 | 47883 |
| Do Accum | 997.36 | 1024.27 | 3.63 | 47884 |
| Managed Exempt Dec 19 | 103.99 | 105.95 | 4.38 | 40538 |
| American Exempt Dec 19 | 119.75 | 122.09 | 3.10 | 40574 |
| Europe Exempt Dec 19 | 111.62 | 114.03 | 3.10 | 40628 |
| Japan Exempt Dec 19 | 100.99 | 103.28 | 0.15 | 40635 |
| Pacific Basin Dec 19 | 129.05 | 132.94 | 2.63 | 40636 |
| **Rothschild Asset Management** | | | | |
| NC Property | 157.9 | 173.7 | - | 41205 |
| **J. Rothschild Fund Managers Ltd** | | | | |
| Intl Exempt Accum | 128.9 | 129.6 | 2.19 | 44085 |

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|

N & P Life Assurance Ltd

For National Fin see Target Life

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pension Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Co Ltd

Skandia Life Assurance Co Ltd (z)

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Westwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

## OFFSHORE INSURANCES

AEtna Int'l Assurance (Bermuda) Ltd

Albany International Assurance Ltd

C&G Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finexco International Ltd

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife société anonyme

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (z)

Sun Alliance International Life

Target International Group

## MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Hansard Financial Services(Pty) Ltd

TPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northam Binge & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Richmond Financial Management Ltd

Sharp (Albert E.) & Co.

Sittals Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Orion Fund Limited

### CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

### GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngmt (Guernsey) Ltd

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Fund Managers Ltd

Saraslin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

### GUERNSEY (REGULATED)(**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Gartmore Invest Mngmt (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Prudential-Bache Fund Managers

Rudolf Wolff Capital Management

Yamaichi Capital Management (Guernsey) Ltd

### IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (u)

Hafnia Prolific International Mngmt Ltd

### IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0836 430000. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

| | Bid Price | Offer Price | Yield Grss | City-line |
|---|---|---|---|---|
| **Baring International Fd Mngrs (Ireland) Ltd** | | | | |
| Australia | $15.92 | 16.72xd | 1.05 | 44759 |
| Japan Tech | $55.63 | 58.63 | – | 44762 |
| Japan Fund | $23.81 | 25.01 | 0.17 | 44763 |
| Japan New Gnth Fd | $18.00 | 18.90 | – | 44764 |
| Malay Sing | $55.51 | 58.29 | 0.31 | 44765 |
| Nth American | $22.65 | 23.79 | 0.58 | 47418 |
| Octopus Fund | $21.76 | 22.85xd | 0.98 | 44766 |
| Pacific Fd | $60.44 | 63.47xd | – | 44767 |
| International Bond | $17.57 | 18.45xd | 6.89 | 44769 |
| Europa Fund | $13.49 | 14.17xd | – | 47191 |
| British Screen Fd | £0.84 | 0.89xd | – | 47190 |
| Tristar Warrant | $11.03 | 11.59 | – | 47419 |
| Hong Kong | $51.62 | 54.21xd | 3.09 | 44761 |
| Mngd Portfolio (Stg) | £3.80 | 4.10 | – | 47319 |
| Mngd Portfolio (DHP) | $10.19 | 10.76 | – | 47318 |
| Currency Fd-Sterling | | £19.84 | – | 44755 |
| Currency Fd-US Dollar | | $15.54 | – | 44754 |
| Curr Fd-Deutschemark | | DM41.12 | – | 44756 |
| Curr Fd-Managed $ | $46.56 | 48.88 | – | 44758 |
| **Federated International Funds Plc** | | | | |
| Federated Short-term US Gov't Securities Fund | | | | |
| Institutional Ser Series* | | $1.00 | 4.38 | 40562 |
| Investment Series* | | $1.00 | 4.28 | 40563 |

* Annualised Yield

## ISLE OF MAN (SIB RECOGNISED)

**Allied Dunbar Intl Fund Mgrs (1600)F**
Lord Street, Douglas, IoM 0624 661551

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

**TSB Trust Funds**

UK Equity
International Equity
Far Eastern
European
Pan American
TSB Gilt Fund Ltd
Quarterly Share
Monthly Share

## JERSEY (REGULATED)(**)

**Barclays Intl Funds**

Currency Funds
Sterling
US Dollar
Deutschemark
Yen
Managed Multicurrency
Managed Multicurrency
Bond Funds
Sterling Bond
US Government Income
Asian Selection Fund
Hong Kong
Indonesia
Korea
Malaysia
Philippines
Singapore
Thailand
South East Asia

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

# Pressure on sterling

STERLING could face a difficult time on currency markets this week following more bad news about the UK economy at the weekend, a Mori opinion poll in yesterday's Sunday Times giving Labour a six-point lead against the government, and calls from some Conservative backbenchers for devaluing the pound in the European Monetary System.

**UK clearing bank base lending rate 10.5 per cent from September 4 1991**

At the end of last week, the pound was extremely close to its floor in the EMS exchange rate mechanism, reflecting its vulnerability in the wake of interest rate rises in Germany, France, Italy and Spain. The UK is alone in the EMS exchange rate mechanism not to have raised interest rates in response to the Bundesbank's pre-Christmas decision to tighten German monetary policy against inflation.

A further test of sterling may come today as foreign exchange market activity generally picks up just before new year. City analysts believe the authorities' first reaction to downward pressure on the pound will be to use the UK's currency reserves in its support. Increasing bank base rates from the current 10.5 per cent is regarded as very much a last resort because of the damage it would do to the government's hopes for re-election.

By the end of last week, there were increased hopes among money market traders that the government could avoid an interest rate rise. On Friday, the three-month interbank rate, – a bellwether for base rates - eased slightly to drop beneath 11 per cent.

The Bank of England did not intervene on Friday to keep the pound away from its effective ERM floor of around DM2.8321.

The pound later closed at DM2.8475, in fairly active trading and lost 0.2 to close at 91.7 on its Bank of England trade-weighted index against a basket of currencies.

## £ IN NEW YORK

| Dec.27 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.8735-1.8745 | 1.8825-1.8845 |
| 1 month | 0.95-0.93pm | 0.96-0.94cpm |
| 3 months | 2.97-2.94pm | 3.00-2.97pm |
| 12 months | 11.10-10.9pm | 11.10-10.9pm |

Forward premiums and discounts apply to the US dollar

## STERLING INDEX

| | Dec.27 | Previous |
|---|---|---|
| 8.30 am | 91.7 | 91.8 |
| 9.00 am | 91.8 | 91.8 |
| 10.00 am | 91.7 | 91.8 |
| 11.00 am | 91.7 | 91.9 |
| Noon | 91.7 | 91.9 |
| 1.00 pm | 91.7 | - |
| 2.00 pm | 91.7 | - |
| 3.00 pm | 91.7 | - |
| 4.00 pm | 91.7 | - |

## OTHER CURRENCIES

| Dec 27 | £ | $ |
|---|---|---|
| Argentina | 18680.3 - 18709.1 | 9910.00 - 9920.00 |
| Australia | 2.4690 - 2.4720 | 1.3155 - 1.3165 |
| Brazil | 1999.30 - 2004.90 | 1068.00 - 1068.15 |
| Finland | 7.7640 - 7.8080 | 4.1425 - 4.1525 |
| Greece | 325.100 - 330.300 | 172.370 - 175.120 |
| Hong Kong | 14.5905 - 14.6080 | 7.7765 - 7.7795 |
| Iran | 117.90* | 65.70* |
| Korea(Sth) | 1419.85 - 1442.75 | 755.00 - 764.00 |
| Kuwait | 0.52825 - 0.52925 | 0.28430 - 0.28480 |
| Luxembourg | 58.65 - 58.75 | 31.25 - 31.35 |
| Malaysia | 5.1320 - 5.1460 | 2.7350 - 2.7380 |
| Mexico | 5690.00 - 5701.05 | 3040.00 - 3042.00 |
| N Zealand | 3.4525 - 3.4595 | 1.8390 - 1.8425 |
| Saudi Ar | 7.0340 - 7.1110 | 3.7490 - 3.7500 |
| Singapore | 3.0435 - 3.0555 | 1.6250 - 1.6270 |
| S Af (Cm) | 5.1305 - 5.1440 | 2.7350 - 2.7380 |
| S Af (Fn) | 5.9225 - 6.0175 | 3.1545 - 3.2050 |
| Taiwan | 48.25 - 48.35 | 25.70 - 25.75 |
| U.A.E. | 6.8875 - 6.9650 | 3.6715 - 3.6735 |

*Official rate. Floating rate £-2578.0 $-1421.0

## CURRENCY MOVEMENTS

| Dec 27 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 91.7 | -20.1 |
| U.S Dollar | 60.9 | -18.3 |
| Canadian Dollar | 101.7 | +0.1 |
| Austrian Schilling | 110.8 | +12.8 |
| Belgian Franc | 112.8 | -1.0 |
| Danish Krone | 109.8 | +3.7 |
| D-Mark | 120.7 | +26.8 |
| Swiss Franc | 109.9 | +18.1 |
| Dutch Guilder | 115.8 | +17.3 |
| French Franc | 104.3 | -12.1 |
| Lira | 99.3 | -19.5 |
| Yen | 140.5 | +75.1 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.26

## CURRENCY RATES

| Dec 27 | Bank § rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | N/A | 0.715184 |
| U.S Dollar | 3.50 | 1.43222 | 1.34240 |
| Canadian $ | 7.57 | N/A | 1.55836 |
| Austrian Sch | 7.50 | N/A | 14.3261 |
| Belgian Franc | 8.00 | N/A | 41.9433 |
| Danish Krone | 9.50 | N/A | 7.93090 |
| D-Mark | 8.00 | N/A | 2.03508 |
| Dutch Guilder | 8.00 | N/A | 2.29470 |
| French Franc | 10¼ | 7.40816 | 6.95565 |
| Italian Lira | 12 | N/A | 1543.63 |
| Japanese Yen | 5.00 | 181.462 | 169.075 |
| Norway Krone | 8 | N/A | 8.02755 |
| Spanish Peseta | - | N/A | 129.637 |
| Swedish Krona | 10.00 | N/A | 7.45032 |
| Swiss Franc | 7.00 | N/A | 1.81358 |
| Greek Drach | 19 | N/A | 234.853 |
| Irish Punt | - | N/A | 0.765336 |

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Dec.26

## POUND SPOT - FORWARD AGAINST THE POUND

| Dec 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8710 - 1.8885 | 1.8770 - 1.8780 | 0.95-0.92cpm | 5.98 | 2.97-2.93pm | 6.28 |
| Canada | 2.1700 - 2.1825 | 2.1765 - 2.1775 | 0.70-0.58cpm | 3.53 | 1.97-1.73pm | 3.40 |
| Netherlands | 3.2015 - 3.2175 | 3.2075 - 3.2175 | ¼-parcpm | 0.47 | ⅞-⅝pm | 0.86 |
| Belgium | 58.45 - 58.85 | 58.65 - 58.75 | 11-parcpm | 1.12 | 19-9pm | 0.95 |
| Denmark | 11.0725 - 11.1275 | 11.0825 - 11.0925 | 1½-⅝orepm | 1.22 | 3¼-1½pm | 0.88 |
| Ireland | 1.0675 - 1.0695 | 1.0675 - 1.0685 | 0.01-0.06cdis | -0.39 | 0.05-0.15dis | -0.37 |
| Germany | 2.8420 - 2.8505 | 2.8450 - 2.8500 | ⅛-⅛pfpm | 0.79 | ¾-½pm | 0.88 |
| Portugal | 250.95 - 254.45 | 252.30 - 253.30 | 45-111cdis | -3.70 | 143-255dis | -3.15 |
| Spain | 180.55 - 182.20 | 181.40 - 182.70 | 35-52cdis | -2.88 | 80-113dis | -2.13 |
| Italy | 2148.75 - 2160.00 | 2159.00 - 2160.00 | 4-6liredis | -2.78 | 10-13dis | -2.13 |
| Norway | 11.2030 - 11.2570 | 11.2325 - 11.2425 | ⅛-¼oredis | -0.20 | ⅛-⅝pm | 0.22 |
| France | 9.7120 - 9.7485 | 9.7300 - 9.7400 | ½-¼cpm | 0.46 | 1¼-1pm | 0.49 |
| Sweden | 10.3875 - 10.4405 | 10.4250 - 10.4350 | 3¼-3⅞oredis | -4.17 | 7¾-8⅞dis | -3.09 |
| Japan | 235.25 - 238.40 | 235.25 - 236.25 | 1-⅞yenpm | 4.77 | 3-2⅞pm | 4.98 |
| Austria | 20.01 - 20.08 | 20.05 - 20.08 | 1⅛-½gropm | 0.64 | 5⅞-2⅝pm | 0.86 |
| Switzerland | 2.5275 - 2.5400 | 2.5300 - 2.5400 | ⅝-⅜cpm | 2.37 | 1½-1¼pm | 2.27 |
| Ecu | 1.3985 - 1.4080 | 1.4015 - 1.4025 | 0.02-0.04cdis | -0.26 | 0.05-0.03pm | 0.11 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.91-5.86cpm. 12 Month 11.10-9.90pm

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Dec 27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.8710 - 1.8885 | 1.8770 - 1.8780 | 0.95-0.92cpm | 5.98 | 2.97-2.93pm | 6.28 |
| Ireland† | 1.7505 - 1.7555 | 1.7525 - 1.7535 | 0.86-0.81cpm | 5.72 | 2.66-2.56pm | 5.96 |
| Canada | 1.1595 - 1.1610 | 1.1595 - 1.1605 | 0.22-0.26cdis | -2.48 | 0.80-0.90dis | -2.93 |
| Netherlands | 1.6930 - 1.7145 | 1.7100 - 1.7110 | 0.72-0.76cdis | -5.19 | 2.32-2.37dis | -5.48 |
| Belgium | 31.00 - 31.35 | 31.25 - 31.35 | 12.00-15.00cdis | -5.18 | 40.00-47.00dis | -5.56 |
| Denmark | 5.8630 - 5.9185 | 5.9025 - 5.9075 | 1.80-2.70oredis | -4.57 | 7.60-9.00dis | -5.62 |
| Germany | 1.5015 - 1.5215 | 1.5160 - 1.5170 | 0.65-0.66pfdis | -5.18 | 2.06-2.09dis | -5.47 |
| Portugal | 134.35 - 135.15 | 134.50 - 134.60 | 110-130cdis | -10.7 | 315-345dis | -9.81 |
| Spain | 95.75 - 96.75 | 96.55 - 96.65 | 68-75cdis | -8.88 | 200-215dis | -8.59 |
| Italy | 1138.75 - 1152.75 | 1150.00 - 1150.50 | 8.20-8.70liredis | -8.82 | 24.20-25.30dis | -8.64 |
| Norway | 5.9300 - 5.9950 | 5.9825 - 5.9875 | 2.80-3.15oredis | -5.96 | 9.00-10.00dis | -6.35 |
| France | 5.1410 - 5.1980 | 5.1825 - 5.1875 | 2.48-2.53cdis | -5.80 | 7.87-7.97dis | -6.11 |
| Sweden | 5.4970 - 5.5670 | 5.5525 - 5.5575 | 4.55-4.95oredis | -10.26 | 12.90-13.60dis | -9.54 |
| Japan | 125.45 - 126.15 | 125.45 - 125.55 | 0.13-0.14ydis | -1.29 | 0.48-0.50dis | -1.56 |
| Austria | 10.5860 - 10.6750 | 10.6670 - 10.6720 | 4.00-4.45grodis | -4.75 | 13.20-14.40dis | -5.17 |
| Switzerland | 1.3360 - 1.3550 | 1.3500 - 1.3510 | 0.38-0.41cdis | -3.51 | 1.34-1.39dis | -4.04 |
| Ecu | 1.3325 - 1.3470 | 1.3360 - 1.3370 | 0.67-0.63cpm | 5.84 | 2.12-1.97pm | 6.12 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

## EXCHANGE CROSS RATES

| Dec.27 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.878 | 2.848 | 235.8 | 9.735 | 2.535 | 3.213 | 2159. | 2.177 | 58.70 | 1.402 |
| $ | 0.532 | 1 | 1.517 | 125.6 | 5.184 | 1.350 | 1.711 | 1150 | 1.159 | 31.26 | 0.747 |
| DM | 0.351 | 0.659 | 1 | 82.79 | 3.418 | 0.890 | 1.128 | 758.1 | 0.764 | 20.61 | 0.492 |
| YEN | 4.241 | 7.964 | 12.08 | 1000. | 41.28 | 10.75 | 13.63 | 9156 | 9.232 | 248.9 | 5.946 |
| F Fr. | 1.027 | 1.929 | 2.926 | 242.2 | 10. | 2.604 | 3.300 | 2218 | 2.236 | 60.30 | 1.440 |
| S Fr. | 0.394 | 0.741 | 1.123 | 93.02 | 3.840 | 1 | 1.267 | 851.7 | 0.859 | 23.16 | 0.553 |
| N Fl. | 0.311 | 0.585 | 0.886 | 73.39 | 3.030 | 0.789 | 1 | 672.0 | 0.678 | 18.27 | 0.436 |
| Lira | 0.463 | 0.870 | 1.319 | 109.2 | 4.509 | 1.174 | 1.488 | 1000. | 1.008 | 27.19 | 0.649 |
| C $ | 0.459 | 0.863 | 1.308 | 108.3 | 4.472 | 1.164 | 1.476 | 991.7 | 1 | 26.96 | 0.644 |
| B Fr. | 1.704 | 3.199 | 4.852 | 401.7 | 16.58 | 4.319 | 5.474 | 3678 | 3.709 | 100. | 2.388 |
| Ecu | 0.713 | 1.340 | 2.031 | 168.2 | 6.944 | 1.808 | 2.292 | 1540 | 1.553 | 41.87 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## EURO-CURRENCY INTEREST RATES

## FT LONDON INTERBANK FIXING

## MONEY RATES

## LONDON MONEY RATES

## LONDON RECENT ISSUES

## FIXED INTEREST STOCKS

## RIGHTS OFFERS

## BANK OF ENGLAND TREASURY BILL TENDER

## WEEKLY CHANGE IN WORLD INTEREST RATES

## CHICAGO

## FINANCIAL TIMES STOCK INDICES

| | Dec 27 | Dec 24 | Dec 23 | Dec 20 | Dec 19 | Dec 18 | 1991 High | 1991 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 86.56 | 86.48 | 86.54 | 86.92 | 87.10 | 87.28 | 87.94 | 82.17 | 127.4 | 49.18 |
| Fixed Interest | 96.80 | 96.71 | 96.91 | 97.27 | 97.37 | 97.47 | 97.49 | 90.59 | 105.4 | 50.53 |
| Ordinary | 1841.8 | 1813.0 | 1781.4 | 1791.9 | 1814.7 | 1833.7 | 2108.3 | 1606.3 | 2108.3 | 49.4 |
| Gold Mines | 143.6 | 143.9 | 141.9 | 143.5 | 146.3 | 145.6 | 222.8 | 127.0 | 734.7 | 43.5 |
| FT Act All-Share | 1157.09 | 1142.61 | 1126.05 | 1132.66 | 1146.78 | 1157.33 | 1284.07 | 987.46 | 1284.07 | 61.92 |
| FT-SE 100 | 2418.7 | 2384.4 | 2345.4 | 2358.1 | 2391.6 | 2413.6 | 2679.6 | 2054.8 | 2679.6 | 986.9 |
| FT-SE Eurotrack 100 | 1055.30 | 1042.60 | 1026.29 | 1032.92 | 1043.04 | 1055.55 | 1165.54 | 900.45 | 1165.54 | 900.45 |
| FT-SE Eurotrack 200 | 1103.91 | 1089.17 | 1071.77 | 1076.75 | 1089.45 | 1101.95 | 1198.60 | 938.62 | 1198.60 | 938.62 |

## LONDON SHARE SERVICE

### BRITISH FUNDS

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY DECEMBER 27 1991 US Dollar Index | % chg ($) since 31/12/90 | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg from 31/12/90 | Gross Div. Yield | THURSDAY DECEMBER 26 1991 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 1991 High | 1991 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 145.02 | +22.8 | 114.51 | 115.04 | 114.34 | 126.93 | +24.7 | 4.38 | 143.93 | 113.14 | 115.27 | 112.88 | 125.78 | 160.31 | 112.74 | 117.94 |
| Austria (20) | 166.88 | -15.1 | 131.78 | 132.39 | 131.57 | 131.48 | -14.1 | 2.19 | 166.36 | 130.77 | 133.24 | 130.47 | 131.19 | 222.37 | 153.88 | 196.13 |
| Belgium (47) | 143.44 | +8.5 | 113.27 | 113.78 | 113.09 | 110.72 | +9.7 | 5.35 | 142.38 | 111.92 | 114.02 | 111.66 | 109.90 | 151.20 | 118.04 | 131.80 |
| Canada (115) | 133.42 | +2.6 | 105.36 | 105.84 | 105.19 | 112.07 | +2.8 | 3.28 | 131.75 | 103.57 | 105.51 | 103.32 | 110.76 | 144.28 | 126.49 | 129.19 |
| Denmark (37) | 266.18 | +14.4 | 210.20 | 211.17 | 209.87 | 213.78 | +16.9 | 1.67 | 265.08 | 208.38 | 212.31 | 207.90 | 213.26 | 270.56 | 217.74 | 231.73 |
| Finland (15) | 73.78 | -28.5 | 58.26 | 58.53 | 58.17 | 64.22 | -18.2 | 3.80 | 74.28 | 58.39 | 59.49 | 58.26 | 64.38 | 125.15 | 73.32 | 102.78 |
| France (109) | 146.83 | +11.4 | 115.95 | 116.47 | 115.75 | 119.42 | +13.6 | 3.71 | 147.54 | 115.98 | 118.15 | 115.70 | 119.37 | 152.26 | 119.11 | 131.50 |
| Germany (65) | 116.80 | +4.4 | 92.23 | 92.67 | 92.08 | 92.08 | +5.9 | 2.50 | 115.38 | 90.70 | 92.42 | 90.49 | 90.49 | 125.35 | 94.15 | 111.72 |
| Hong Kong (55) | 173.41 | +42.4 | 136.94 | 137.57 | 136.73 | 173.17 | +42.0 | 4.30 | 171.93 | 135.16 | 137.70 | 134.85 | 171.52 | 176.14 | 119.62 | 122.96 |
| Ireland (18) | 164.39 | +10.7 | 129.82 | 130.41 | 129.61 | 132.14 | +12.3 | 3.79 | 164.02 | 128.93 | 131.36 | 128.63 | 132.14 | 182.48 | 132.88 | 148.15 |
| Italy (77) | 73.54 | -6.1 | 58.07 | 58.33 | 57.97 | 63.17 | -4.2 | 3.67 | 72.78 | 57.21 | 58.29 | 57.08 | 62.15 | 88.23 | 64.76 | 78.74 |
| Japan (474) | 131.83 | +5.7 | 104.10 | 104.58 | 103.95 | 104.58 | -2.2 | 0.81 | 131.26 | 103.18 | 105.12 | 102.95 | 105.12 | 146.97 | 118.23 | 125.32 |
| Malaysia (68) | 211.06 | -0.5 | 166.67 | 167.43 | 166.40 | 222.44 | +0.8 | 2.81 | 210.97 | 165.84 | 168.96 | 165.45 | 221.86 | 247.78 | 169.18 | 208.47 |
| Mexico (17) | 1354.69 | +131.8 | 1069.74 | 1074.68 | 1068.07 | 4504.16 | +138.7 | 1.14 | 1314.59 | 1033.40 | 1052.85 | 1030.99 | 4370.86 | 1404.63 | 534.45 | 583.08 |
| Netherland (31) | 151.90 | +13.5 | 119.95 | 120.50 | 119.76 | 118.59 | +15.0 | 4.55 | 151.84 | 119.36 | 121.60 | 119.08 | 117.88 | 151.90 | 125.70 | 133.77 |
| New Zealand (14) | 46.16 | +6.3 | 36.45 | 36.62 | 36.39 | 45.12 | +15.1 | 6.09 | 46.29 | 36.39 | 37.08 | 36.31 | 45.12 | 54.64 | 41.18 | 43.31 |
| Norway (30) | 175.54 | -13.6 | 139.40 | 140.05 | 139.19 | 143.41 | -12.0 | 1.80 | 169.95 | 133.59 | 136.11 | 133.29 | 138.00 | 223.24 | 157.08 | 203.57 |
| Singapore (38) | 215.32 | +35.8 | 170.82 | 171.61 | 170.55 | 162.09 | +27.0 | 2.15 | 213.85 | 168.11 | 171.27 | 167.71 | 160.39 | 216.32 | 151.63 | 158.90 |
| South Africa (61) | 247.70 | +35.4 | 195.60 | 196.50 | 195.29 | 172.15 | +26.4 | 2.88 | 246.11 | 193.47 | 197.10 | 193.01 | 172.15 | 271.99 | 173.00 | 183.21 |
| Spain (53) | 151.26 | +7.8 | 119.44 | 120.00 | 119.25 | 110.69 | +9.0 | 5.02 | 150.76 | 118.51 | 120.75 | 118.24 | 109.76 | 171.12 | 131.51 | 139.73 |
| Sweden (25) | 179.65 | +12.7 | 141.87 | 142.52 | 141.65 | 147.74 | +11.3 | 3.02 | 171.91 | 135.14 | 137.68 | 134.82 | 141.30 | 204.12 | 146.80 | 156.74 |
| Switzerland (59) | 99.83 | +12.3 | 78.84 | 79.20 | 78.72 | 83.59 | +18.9 | 2.39 | 98.76 | 77.63 | 79.10 | 77.46 | 82.32 | 100.67 | 82.17 | 88.72 |
| United Kingdom (235) | 180.68 | +9.1 | 142.68 | 143.32 | 142.44 | 142.68 | +12.1 | 5.22 | 179.02 | 140.73 | 143.38 | 140.39 | 140.73 | 187.44 | 156.27 | 166.06 |
| USA (525) | 165.77 | +24.3 | 130.90 | 131.51 | 130.70 | 165.77 | +24.3 | 2.94 | 165.05 | 129.75 | 132.20 | 129.45 | 165.05 | 165.77 | 125.95 | 132.76 |
| Europe (821) | 144.95 | +7.7 | 114.46 | 114.99 | 114.29 | 115.11 | +10.3 | 4.19 | 143.88 | 113.09 | 115.22 | 112.83 | 113.73 | 151.52 | 125.50 | 134.55 |
| Nordic (107) | 182.37 | +8.7 | 144.01 | 144.68 | 143.78 | 142.96 | +9.8 | 2.26 | 178.21 | 140.09 | 142.73 | 139.76 | 139.77 | 200.81 | 155.55 | 167.03 |
| Pacific Basin (718) | 133.15 | +7.3 | 105.15 | 105.64 | 104.98 | 107.10 | +0.1 | 1.14 | 132.54 | 104.19 | 106.15 | 103.95 | 107.51 | 145.92 | 117.86 | 124.65 |
| Euro-Pacific (1539) | 138.18 | +7.4 | 109.12 | 109.61 | 108.94 | 111.05 | +4.1 | 2.41 | 137.38 | 107.99 | 110.02 | 107.74 | 110.73 | 147.66 | 121.29 | 129.02 |
| North America (640) | 163.71 | +23.1 | 129.28 | 129.89 | 129.10 | 162.11 | +23.1 | 2.95 | 162.94 | 128.09 | 130.51 | 127.81 | 161.35 | 163.71 | 125.91 | 132.45 |
| Europe Ex. UK (586) | 123.43 | +6.9 | 97.47 | 97.94 | 97.34 | 99.21 | +9.1 | 3.43 | 122.66 | 96.42 | 98.25 | 96.22 | 98.15 | 129.80 | 103.58 | 115.34 |
| Pacific Ex. Japan (244) | 146.22 | +26.2 | 115.47 | 116.02 | 115.30 | 131.27 | +26.7 | 4.04 | 145.21 | 114.15 | 116.32 | 113.90 | 130.19 | 153.19 | 111.40 | 116.02 |
| World Ex. US (1732) | 139.94 | +8.0 | 110.51 | 111.02 | 110.34 | 112.80 | +4.9 | 2.44 | 139.07 | 109.32 | 111.39 | 109.07 | 112.44 | 148.16 | 122.32 | 129.82 |
| World Ex. UK (2022) | 144.44 | +14.4 | 114.06 | 114.60 | 113.90 | 127.78 | +11.8 | 2.33 | 143.71 | 112.97 | 115.10 | 112.72 | 127.46 | 146.16 | 120.06 | 128.26 |
| World Ex. So. Af. (2196) | 146.95 | +13.5 | 116.04 | 116.59 | 115.87 | 128.84 | +11.6 | 2.63 | 146.14 | 114.88 | 117.06 | 114.63 | 128.36 | 148.66 | 122.92 | 129.48 |
| World Ex. Japan (1783) | 157.34 | +17.7 | 124.25 | 124.83 | 124.07 | 143.03 | +19.1 | 3.45 | 156.39 | 122.94 | 125.27 | 122.67 | 141.95 | 157.34 | 126.69 | 133.41 |
| The World Index (2257) | 147.60 | +13.7 | 116.58 | 117.10 | 116.38 | 129.22 | +11.8 | 2.63 | 146.79 | 115.39 | 117.57 | 115.13 | 128.75 | 149.37 | 123.28 | 129.80 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).



Markets closed 27/12/91: Ireland, New Zealand and South Africa.

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

# LONDON SHARE SERVICE

## AMERICANS

| | Notes | Price £ | Wk's change | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 35⅝xd | 5.4 | $1.88 | FeMyAuNv | 9.10 | 1503 |
| ♥Allegheny & W | | 232p | –1.7 | 30c | | — | — |
| Amdahl | | 727pxd | 2.8 | 16c | MrMrJeAu | 31.1 | — |
| Amer Cyanamid | | 32⅛ | –.4 | $1.50 | MrJeSeDe | 27.2 | — |
| Amer Express | | 10 13/16xd | 10.1 | $1.00 | FeMyAuNv | 1.10 | 1594 |
| Amer T & T | | 26 7/16xd | –2.1 | $1.32 | FeMyAuNv | 27.3 | 1597 |
| Ameritech | | 34 3/16 | –.9 | $3.40 | FeMyAuNv | 29.3 | — |
| BankAmerica | | 23¼xd | 16.7 | $1.20 | FeMySeDe | 19.11 | 1744 |
| Bankers NY | | 23⅞xd | 5.4 | $1.82 | ApJyOcJa | 27.12 | 1745 |
| Bell Atlantic | | 25 7/16xd | –1.7 | $2.52 | FeMyAuNv | 4.7 | — |
| BellSouth | | 28½ | — | $2.76 | FeMyAuNv | 5.4 | — |
| ♥Bethlehem Steel | | 8¾xd | 6.9 | 40c | MrJeSeDe | 6.2 | 1821 |
| Bowater | | 1046p | –2 | $1.20 | OcJaApJy | 8.8 | 1884 |
| CPC | | 47¼xd | 0.5 | $2.60 | JaApJyOc | 27.12 | 2263 |
| California Engy | | 740p | –.8 | — | | — | — |
| Campbell Soup | | 43⅝xd | 1.3 | $1.40 | OcJaApJy | 24.12 | 2050 |
| Chase Manhattan | | 9½ | 13.9 | $1.20 | FeMyAuNv | 30.10 | 2109 |
| Chrysler | | 6⅝ | 10.3 | 60c | ApJyOcDe | 11.12 | 2135 |
| Citicorp | | 6⅝xd | 15.4 | — | | 23.10 | 2141 |
| Colgate-Palm | | 26 7/16xd | 2.8 | $1.86 | FeMyAuNv | 22.10 | 2184 |
| Cont'l Bank | | 450p | –1.9 | 60c | DeMrJeSe | 31.5 | — |
| Dana | | 14¼xd | 3.7 | $1.60 | MrJeSeDe | 25.11 | 2306 |
| Data General | | 767p | –1.0 | — | | — | — |
| Digi | | 20½xd | 3.9 | $1.40 | JaApJyOc | 28.5 | 2770 |
| Dun & Brad | | 27 | –.9 | $2.16 | MrJeSeDe | 13.2 | — |
| Eaton | | 31 7/16 | –2.2 | $2.20 | | 2.2 | 2410 |
| Echlin | | 7xd | 7.7 | 70c | JaApJyOc | 1.7 | 3048 |
| FPL | | 19 7/16xd | 3.0 | $2.40 | MrJeSeDe | 28.11 | — |
| Fluor | | 22¼xd | 8.8 | 48c | JaApJyOc | 16.12 | 2609 |
| Ford Motor | | 15xd | 13.2 | $1.60 | MrJeSeDe | 28.10 | 2615 |
| Gen Elect | | 38¾xd | 7.3 | $2.04 | JaApJyOc | 4.12 | 2675 |
| ♥General Host | | 350p | –8.2 | 34c | | 13.12 | — |
| Gillette | | 27½xd | 3.5 | 92c | MrJeSeDe | 24.5 | 2696 |
| Hasbro | | 18½ | –2.5 | 24c | JaApJyOc | 1.8 | — |
| Honeywell | | 33⅛xd | 3.1 | $1.65 | MyJeSeDe | 28.11 | 2919 |
| Houston Inds | | 22⅞ | 0.5 | $2.96 | MrJeSeDe | 18.11 | — |
| IBM | | 46¾xd | 1.6 | $4.84 | MrJeSeDe | 5.3 | 2986 |
| Ingersoll-Rand | | 26 13/16xd | 9.7 | $1.32 | MrJeSeDe | 18.11 | 2979 |
| Lockheed | | 23¼xd | –5.1 | $2.00 | MrJuSeDe | 15.2 | — |
| Lowe's | | 1385p | –1.6 | 56c | JaApJyOc | 11.7 | — |
| Man Hanover | | 13⅜xd | 9.2 | $1.28 | JaApJyOc | 28.3 | 3279 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING AEROSPACE

## ENGINEERING GENERAL

## ENGINEERING - GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HEALTH & HOUSEHOLD - Cont.

## HOTELS & LEISURE

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## MERCHANT BANKS

## METALS & METALS

## MISCELLANEO

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | Wk% ch'nge | Div net | Dividends paid | Mkt cap £m | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Sphere Inc | | 19 | 2.7 | 3.87 | MyAuNvFe | 23.8 | 28.10 | 4276 |
| Zero Div Pf | | 69 | 0.8 | — | — | 70.8 | — | 5227 |
| Warrants | | 3 | — | — | — | 0.36 | — | 5678 |
| Strata | | 148 | — | 1.4 | Feb | 22.2 | 31.12 | 4127 |
| Stratton | | 147 | — | 1.05 | Jan | 18.5 | 3.6 | 4128 |
| TR City of Lon | | 189½ | 2.3 | 4.56 | FebMayAuNv | 208.4 | 14.10 | 4231 |
| TR Euro Growth | | 65 | — | 1.0 | Oct | 31.2 | 16.9 | — |
| Ptg Sub | | 54 | — | 1.0 | Oct | 1.96 | 16.9 | — |
| TR Far East Inc | | 77 | — | 4.2 | ApJyOcJa | 35.8 | 25.11 | 4269 |
| Warrants | | 15 | — | — | — | 1.30 | — | — |
| TR High Inc | H | 100 | -2.0 | 6.8 | ApJyOcJa | 21.5 | 14.10 | 2037 |
| Sub | | 34 | — | 1.5 | Jul | 0.90 | 1.7 | 2036 |
| TR Pacific | | 68 | 1.5 | 0.25 | Apr | 45.5 | 11.3 | 4591 |
| TR Prop | | 25xd | -2.0 | 1.45 | Jan Jul | 54.8 | 9.12 | 4282 |
| TR Smaller | | 124 | — | 3.7 | Mar Sep | [illegible] | 12.8 | 4285 |
| TR Technology | M | 22 | — | 1.75 | Aug | 14.1 | 15.7 | 4282 |
| Stepped Pf | | 66¾ | -.8 | 5.51 | Dec Jun | 39.5 | 11.11 | 4980 |
| Zero Pf | | 104 | -1.0 | — | — | 118.6 | — | 4985 |
| Temple Bar | † | 251 | 0.8 | 11.9 | Sep Mar | 149.6 | 29.7 | 4181 |
| 6pc 2002 | | £113½ | -.9 | 06% | Jan Aug | 28.8 | 12.8 | 4199 |
| Temple Em Mkts | | 103 | 0.6 | 0.75 | Sep | 81.2 | 29.7 | 4890 |
| Warrants | | 58 | -1.7 | — | — | 3.88 | — | — |
| 1pc Cv 2001 | | £100½ | — | 01% | Apr Oct | — | 14.10 | 4928 |
| Thornton Asian | | 62 | 6.9 | 0.5 | Jun | 62.0 | 29.4 | 5942 |
| Warrants | | 18 | — | — | — | 2.00 | — | 3104 |
| Thornton Pan Euro | | 27 | — | 0.87 | Jan | 4.65 | 20.5 | 2123 |
| Warrants | | 6 | — | — | — | 0.18 | — | — |
| Throg Dual Inc | | 99xd | — | 8.75 | NvApJyJa | 78.1 | 9.12 | 4219 |
| Cap | | 345 | 2.1 | — | — | 12.1 | — | 4218 |
| Throgmorton | | 45 | 2.2 | 2.15 | Aug Apr | 128.8 | 29.7 | 4221 |
| Warrants | | 13 | — | — | — | 3.34 | — | 4222 |
| Throg USM | | 101 | [illegible] | [illegible] | Apr | [illegible] | [illegible] | [illegible] |

[illegible]

## MEDIA

[illegible]

## MERCHANT BANKS

[illegible]

## METALS & METAL FORMING

[illegible]

## MISCELLANEOUS

[illegible]

## MISCELLANEOUS - Cont.

[illegible]

## MOTORS

[illegible]

## OIL & GAS

[illegible]

## OIL & GAS - Cont.

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER INDUSTRIAL MATERIALS

[illegible]

## PACKAGING, PAPER & PRINTING

[illegible]

## PACKAGING, PAPER & PRINTING - Cont.

[illegible]

## PROPERTY

[illegible]

## STORES

[illegible]

## STORES - Cont.

[illegible]

## TELEPHONE NETWORKS

[illegible]

## TEXTILES

[illegible]

## TRANSPORT

[illegible]

## WATER

[illegible]

## SOUTH AFRICANS

[illegible]

## PLANTATIONS

[illegible]

## MINES

[illegible]

## MINES - Cont.

[illegible]

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ↓ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend; cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate; cover based on previous year's earnings.
v Subject to local tax.
z Dividend includes a special payment; Cover does not apply to special payment.
E Minimum tender price.
F Dividend based on prospectus or other offical estimates for 1990-91.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other offical estimates for 1991
K Dividend based on prospectus or other offical estimates for 1990.
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other offical estimates for 1991-92.
N Dividend based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion.

4:00 pm prices December 27

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1991 High | Low | Stock | Div. | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 16 7/8 | 9 1/4 | AAR Corp | 0.48 | 4.1 | 13 | 745 | 11 1/4 | 11 1/8 | 11 1/8 | +1/8 |
| 22 7/8 | 14 1/2 | A L Labs A x | 0.16 | 0.7 | 24 | 445 | 22 1/2 | 21 | 22 1/2 | +1 1/2 |
| 68 1/4 | 40 7/8 | AMP Inc | 1.44 | 2.5 | 23 | 1702 | 58 1/8 | 57 3/8 | 57 1/2 | -5/8 |
| 69 | 44 1/4 | AMR | | | | 124022 | 68 5/8 | 67 3/8 | 68 | -3/8 |
| 2 5/8 | 1 | ARX | | | 1 | 110 | 1 5/8 | 1 1/2 | 1 5/8 | +1/8 |
| 56 | 41 1/2 | ASA | 3.00 | 6.5 | 13 | 578 | 46 | 45 5/8 | 46 | |
| 67 | 39 1/4 | Abbott Lab x | 1.00 | 1.6 | 27 | 3870 | u68 | 65 7/8 | 68 | +1 1/4 |
| 14 3/8 | 9 7/8 | Abitibi Pr x | 0.50 | 4.0 | 16 | 3 | 12 1/2 | 12 1/2 | 12 1/2 | |
| 11 5/8 | 10 3/8 | ACM Gvt In x | 1.31 | 11.8 | | 331 | 11 1/4 | 11 | 11 1/4 | |
| 9 3/4 | 8 3/4 | ACM GvOpp x | 1.01 | 10.5 | | 95 | 9 5/8 | 9 3/8 | 9 5/8 | +1/4 |
| 9 1/2 | 8 1/4 | ACM Gvt Sp x | 0.17 | 1.9 | | 397 | 9 1/4 | 9 | 9 | |
| 11 | 9 7/8 | ACM Gvt Sc x | 1.26 | 11.8 | | 215 | 10 5/8 | 10 1/2 | 10 5/8 | +1/8 |
| 9 1/8 | 7 5/8 | ACM Man x | 1.05 | 11.5 | | 154 | u9 1/8 | 9 | 9 1/8 | |
| 12 7/8 | 11 1/2 | ACM Mangd x | 1.35 | 10.7 | | 180 | 12 5/8 | 12 1/2 | 12 5/8 | |
| 7 1/2 | 4 3/4 | Acme Cleve | 0.40 | 5.0 | 14 | 47 | 8 5/8 | 6 5/8 | 6 5/8 | +1/8 |
| 8 | 3 3/8 | Acme Elect | | | 3 | 77 | 4 7/8 | 4 3/8 | 4 3/8 | +1/8 |
| 40 | 22 3/4 | Acuson | | | 19 | 1263 | 29 7/8 | 29 | 29 3/4 | +1/4 |
| 20 1/4 | 14 1/4 | Adams Expr | 1.63 | 8.6 | 0 | 68 | 18 7/8 | 18 3/4 | 18 7/8 | +1/8 |
| 20 1/8 | 12 7/8 | Adobe12Pf | 2.40 | 18.5 | | 50 | 13 1/8 | 13 | 13 | |
| 9 1/4 | 3 7/8 | Adobe Res | | | 43 | 1079 | 4 1/2 | 4 3/8 | 4 3/8 | -1/8 |
| 42 1/4 | 18 | Ad Micro | | | | 156 | 41 1/4 | 40 5/8 | 41 1/4 | -1/4 |
| 17 3/8 | 4 5/8 | Ad Micro P | 3.00 | 17.9 | 89 | 3504 | 16 7/8 | 16 3/8 | 16 3/4 | -1/8 |
| 5 1/8 | 2 1/4 | Advest Grp | 0.16 | 3.8 | 6 | 146 | 4 1/4 | 4 1/8 | 4 1/4 | |
| 49 1/8 | 31 7/8 | Aetna Lf x | 2.76 | 6.6 | 8 | 4020 | 42 | 40 7/8 | 42 | +1 |
| 10 5/8 | 6 5/8 | Afill A x | 0.24 | 2.8 | 78 | 878 | 8 5/8 | 8 3/8 | 8 5/8 | +1/8 |
| 20 7/8 | 12 | Ahmanson | 0.88 | 5.2 | 10 | 2022 | 17 1/8 | 16 3/4 | 16 7/8 | +1/8 |
| 20 | 2 7/8 | Aileen Inc | | | 17 | 66 | 19 7/8 | 19 1/2 | 19 5/8 | -1/8 |
| 74 1/8 | 51 3/8 | Air Pr Chm x | 1.56 | 2.2 | 15 | 672 | 71 5/8 | 69 3/4 | 69 3/4 | -1 3/8 |
| 30 | 18 5/8 | Airbne Frt | 0.30 | 1.2 | 17 | 212 | 24 1/4 | 23 1/2 | 24 1/8 | -1/8 |
| 24 1/2 | 12 1/2 | Airgas Inc | | | 108 | 79 | 23 3/8 | 22 7/8 | 22 7/8 | -1 1/8 |
| 15 1/4 | 10 | Airlease x | 1.68 | 16.6 | 6 | 63 | 10 1/4 | 10 1/4 | 10 5/8 | +1/8 |
| 100 1/2 | 88 1/4 | AlaPw8.16 | 8.16 | 8.2 | | 6 | 100 | 99 1/4 | 99 1/4 | +1/2 |

| 1991 High | Low | Stock | Div. | Yld. % |
|---|---|---|---|---|
| 30 | 22 7/8 | BRE Prop | 2.40 | 8.4 |
| 44 3/4 | 24 5/8 | Briggs & S | 1.60 | 3.9 |
| 35 1/4 | 24 1/2 | Brinkerint | | |
| 87 7/8 | 61 1/4 | Bristol M x | 2.40 | 2.8 |
| 41 1/4 | 24 1/2 | Brit Airwy | 1.73 | 4.1 |
| 51 3/4 | 39 | Brit Gas | 2.50 | 5.2 |
| 77 1/2 | 61 7/8 | BP ADR | 4.11 | 6.5 |
| 32 5/8 | 28 5/8 | BP Prudhoe | 3.57 | 12.8 |
| 8 1/8 | 1 1/4 | BP Wts93 | | |
| 27 5/8 | 11 1/8 | Brit Steel | 1.70 | 13.4 |
| 74 | 51 1/4 | Brit Tel x | 2.72 | 4.3 |
| 18 1/4 | 4 5/8 | Broad Inc | 0.20 | 1.1 |
| 33 3/4 | 27 1/2 | BrkUnPld | 2.47 | 7.5 |
| 31 1/4 | 27 | Brooklyn U x | 1.94 | 6.4 |
| 84 1/2 | 69 | BrwnFormnB | 2.44 | 3.0 |
| 28 3/4 | 21 5/8 | Brown Grp | 1.60 | 6.3 |
| 12 5/8 | 6 3/4 | Brown&Shrp | 0.32 | 4.1 |
| 30 1/4 | 16 7/8 | Browning F x | 0.88 | 3.2 |
| 4 1/2 | 1 1/8 | BRT | | |
| 16 1/8 | 8 5/8 | Brunswick | 0.44 | 3.4 |
| 20 | 8 1/2 | Brush Well x | 0.20 | 1.8 |
| 29 3/4 | 23 5/8 | Buckeye Pt | 2.60 | 9.8 |
| 18 1/2 | 13 | Butler Hil x | 1.66 | 10.6 |
| 13 1/4 | 10 1/4 | Burger K I | 1.60 | 13.6 |
| 21 1/8 | 8 3/8 | Burl Coat | | |
| 41 7/8 | 26 1/4 | Burl North | 1.20 | 3.1 |
| 43 1/4 | 32 7/8 | Burln Resc | 0.70 | 2.0 |
| 16 | 11 1/4 | Burnham Pe | 1.36 | 9.0 |

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

| 1991 High | 1991 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 16¼ | 8⅝ | Saleg'd Sc | | | 5 | 50 | 14 | 13⅝ | 14 | |
| 37 | 22 | SafetyKln | 0.32 | 1.3 | 24 | 1644 | 24¾ | 24 | 24¼ | +⅜ |
| 21⅝ | 11⅞ | Safeway | | | 13 | 526 | 18 | 17⅝ | 18 | +½ |
| 4⅞ | 2⅛ | SafewayWts | | | | 218 | 4 | 3⅞ | 4 | +⅛ |
| 35⅞ | 25⅞ | StJoePaper x | 0.20 | 0.7 | 40 | 55 | 30½ | 30 | 30⅛ | |
| 34¼ | 26⅝ | StJoeL&P | 1.66 | 5.0 | 13 | 26 | 33⅝ | 33¼ | 33½ | |
| 74¼ | 57 | St Paul's x | 2.60 | 3.7 | 8 | 149 | 70½ | 69½ | 70½ | +1 |
| 4⅛ | 1½ | Salant Crp | | | 0 | 77 | 3 | 2⅞ | 2⅞ | −⅛ |
| 73¼ | 43⅝ | Sallie Mae | 1.00 | 1.3 | 22 | 4286 | u76 | 72⅞ | 75¼ | +3 |
| 14¼ | 10⅝ | Salomon Br | 1.61 | 11.8 | | 257 | 13⅞ | 13⅝ | 13⅞ | +⅛ |
| 37 | 20¼ | SalomonInc | 0.64 | 2.1 | 7 | 4520 | 30¾ | 28⅞ | 30⅞ | +1½ |
| 46⅛ | 37⅛ | SanDgo G&E | 2.80 | 6.1 | 12 | 160 | 45⅞ | 45½ | 45⅝ | −⅛ |
| 4⅜ | 2⅞ | SantaFeEIn x | 0.40 | 15.2 | 20 | 70 | 2⅞ | d2⅝ | 2⅝ | +⅛ |
| 16¾ | 7 | SantaFeEPs x | 0.16 | 2.1 | 17 | 1240 | 7½ | 7¼ | 7½ | +⅛ |
| 36¼ | 26 | SantaFePac | 2.70 | 7.9 | 10 | 28 | 34⅞ | 34 | 34 | −½ |
| 13 | 6⅛ | SantaFeSth | | | | 6436010 | u13⅛ | 12⅞ | 12⅞ | −⅛ |
| 55⅞ | 29⅝ | Sara Lee | 1.00 | 1.8 | 20 | 1341 | u56⅞ | 55⅞ | 55⅝ | +⅛ |
| ¼ | 1/32 | Savin Corp | | | | 03464 | 1/16 | d1/32 | 0.05 | +0.02 |
| 7⅞ | 1¼ | Savin 0.80 | 0.80 | 64.0 | | 15 | 1⅞ | d1¼ | 1¼ | −¼ |
| 43¾ | 33½ | Scana Corp | 2.62 | 6.1 | 13 | 251 | 43¼ | 42⅞ | 43 | −¼ |
| 47⅞ | 36 | Scecorp x | 2.72 | 5.9 | 12 | 1638 | 46⅛ | 45⅞ | 46 | −1⅛ |
| 65⅝ | 40⅞ | SchoringPl | 1.32 | 2.0 | 22 | 2327 | 65½ | 64⅝ | 65½ | +1 |
| 74 | 50½ | Sch'berger x | 1.20 | 1.9 | 22 | 1961 | 62 | 61¼ | 61⅞ | |
| 25½ | 7⅞ | Schwab(C) | 0.24 | 0.9 | 29 | 1911 | u26½ | 25¼ | 26½ | +1⅛ |
| 6⅞ | 3⅞ | Schwitzer | | | 13 | 240 | 6⅛ | 5½ | 5⅞ | +⅛ |
| 17⅞ | 11½ | ScientAtln | 0.16 | 1.0 | 192 | 931 | 16¼ | 15⅞ | 16¼ | +¼ |

[illegible]

| 1991 High | 1991 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 68 | 35¼ | Xerox | 3.00 | 4.4 | 12 | 2433 | u68½ | 67⅛ | 68 | +⅛ |
| 51¼ | 43⅛ | Xerox4.125 | | | | 2 | u52¼ | 52 | 52¼ | +1¼ |
| 29¼ | 14⅛ | Xtra 1.94 | | | | 47 | 25 | 24¾ | 24¾ | |
| 29⅞ | 14¼ | Xtra Corp | 0.72 | 2.5 | 14 | 188 | 29 | 28¾ | 29 | +⅛ |
| 27⅞ | 21⅞ | Yankee Egy | 1.60 | 6.2 | 12 | 68 | 26 | 25⅛ | 26 | +⅞ |
| 1½ | ⅛ | Zapata | | | 56 | 532 | ⅝ | d½ | ⅝ | +1/16 |
| 9⅝ | 5¼ | ZenithElec | | | 2 | 858 | 7⅛ | 6⅞ | 7 | +⅛ |
| 18½ | 12 | Zenith Nat x | 1.00 | 6.2 | 133 | 31 | 16 | 15⅞ | 16 | |
| 8⅞ | 4½ | Zenix Inc x | 0.84 | 13.7 | | 30 | 6⅛ | 6 | 6⅛ | |
| 15⅛ | 10 | Zero Corp | 0.40 | 3.6 | 14 | 210 | 11⅛ | 10⅞ | 11⅛ | +⅛ |
| 41⅞ | 29½ | Zurn Ind | 0.88 | 2.6 | 13 | 275 | 34⅝ | 32¼ | 33⅞ | +1⅝ |
| 13½ | 10¼ | Zweig Fund x | 1.16 | 8.7 | | 91 | 13⅛ | 13¼ | 13⅜ | +⅛ |
| 10½ | 8½ | Zweig Totl x | 0.96 | 9.0 | | 914 | u10⅝ | 10⅛ | 10⅝ | +⅛ |

*Price data supplied by Telekurs.*

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*4:00 pm prices December 27*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Grant FdA | 0.66 | 12 | 328 | 23¼ | 22⅞ | 23¼ | +⅛ |
| Glacier x | 1.20 | 14 | 64 | 52⅞ | 52 | 52⅞ | +⅝ |
| Goldfield | | 6 | 287 | ¼ | d¼ | ¼ | |
| Greenman | | 22 | 71 | 3⅝ | 3½ | 3⅝ | |
| Greiner | 0.20 | 17 | 65 | 14¼ | 13⅞ | 14⅛ | |
| GRI Corp | | 3 | 100 | 13/16 | 13/16 | 13/16 | |
| Gulf Cda x | 0.40 | 175 | 39 | 5⅛ | 5⅛ | 5⅛ | +⅛ |
| Nabors | | 14 | 303 | 6⅞ | 6 | 6⅛ | +⅛ |
| Nat Patnt | | 1 | 362 | 4½ | 4⅛ | 4½ | |
| New Line | | 20 | 262 | u16 | 15¾ | 16 | +¼ |
| NY TimesA | 0.56 | 87 | 494 | 21⅝ | 21⅝ | 21⅝ | +⅛ |
| NthCanOil | 0.18 | 462 | 119 | 9⅛ | d9⅛ | 9⅛ | |
| Numac O&G | | 94 | 4 | 4⅜ | 4⅜ | 4⅜ | −⅛ |
| NV Ryan | | 0 | 338 | 13/16 | ⅝ | ⅝ | −1/16 |
| Odetics A | | 41 | 20 | 5½ | 5⅜ | 5⅜ | |
| Olsten | 0.24 | 36 | 31 | 24⅛ | 23⅞ | 24½ | +⅛ |
| Xytronix | | 20 | 79 | 15 | 14⅞ | 14⅞ | −⅛ |
| OM Corp x | 0.14 | 7 | 246 | 7⅜ | 7⅛ | 7⅜ | +⅛ |
| Pall Corp | 0.44 | 26 | 1584 | 38⅝ | 38⅛ | 38⅝ | +1⅞ |

[illegible]

# NASDAQ NATIONAL MARKET

*4:00 pm prices December 27*

[illegible]

**- X - Y - Z -**

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xulinx | | 27 | 1435 | 24¾ | 24 | 24⅛ | −¼ |
| XL Data | | 31 | 89 | 10½ | 10⅛ | 10⅜ | |
| Xoma Corp | | 13 | 17757 | 23 | 20¼ | 22⅞ | +2⅝ |
| Yellow Fr | 0.94 | 19 | 2145 | 27⅛ | 26¼ | 26⅞ | −¼ |
| York Rsch | | 55 | 3974 | 7⅛ | 6½ | 6⅝ | −⅜ |
| Zionutah x | 1.44 | 8 | 1019 | 42¼ | 41 | 42 | +¾ |

*MONDAY INTERVIEW*

# Wild man goes straight

## Carlos Menem, president of Argentina, talks to John Barham

Carlos Saúl Menem is fizzing with energy and enthusiasm these days, and no wonder. For Argentina, the country of which he has been president for the last two and a half years, has proved the world's most unexpected economic success story of 1991. Hyperinflation and political instability – two things with which the country's name was virtually synonymous for the last two decades – have, for now at least, been banished. And the remarkable recovery seems set to continue next year.

Grinning broadly, Mr Menem says: "1992 will be the year of growth and development with stability and liberty that has not existed in Argentina for years. We do not want excessive euphoria, but sober optimism. Still, I see not a single cloud on the horizon."

July 1989, the month he took office, seems a distant memory now. Triple-digit inflation, food riots, a mutinous military and the outgoing government in collapse threatened Argentina with political conflagration, only six years after the restoration of democracy.

After a few false starts, Mr Menem has capitalised on terror of hyperinflation to attack the cause of Argentina's decline: he has curbed a corrupt, all-powerful but inept state and replace it with the rudiments of a market economy. For the first time in their lives many Argentines are now experiencing economic growth, low inflation and political stability.

The president's knockabout sense of humour, his bizarre appearance, unpresidential private life and unsophisticated manner often lead people to underestimate or patronise him. But his reforms – which he describes as "surgery without anaesthetic" – have required considerable courage and political acumen.

The key was Menem's decision in January to switch Domingo Cavallo, a 44-year-old political independent who had previously served as foreign minister, to the job of economy minister. Cavallo, a Harvard-trained economist, brought a badly-needed sense of direction. He balanced the budget through a ferocious campaign *against tax evasion and kept* a lid on inflation by deregulating the economy and opening it up to imports. In November prices rose 0.4 per cent, the lowest rate in 20 years. What is more, *the economy has responded to* stable prices, growing an estimated at 5 per cent this year, with a further 6-10 per cent expected in 1992.

Mr Menem is a ruthlessly instinctive politician enraptured by the exercise of power. No other politician of his generation would conceivably have dared to break the mould of Argentine society by embarking on a crash programme of privatisations, sacking state employees *en masse* and eliminating state controls.

Now his future depends on the continuing success of reform, and he knows it. Speaking confidently in his thick provincial accent, Mr Menem says: "The day there is any deviation from this path, and [these policies] lose direction, I will go. But this is not such a gamble when one is certain of winning." So far, his confidence seems justified: this year's local government and mid-term congressional elections, which his Peronist party and its centre-right allies won convincingly, demonstrated the popularity of free-market reform.

**PERSONAL FILE**

1935 Born in La Rioja to Syrian immigrant parents.
1955 Law degree at University of Córdoba.
1963 President of La Rioja Peronist party.
1973 Governor of La Rioja.
1976-81 Imprisoned during military government.
1983 Re-elected governor of La Rioja.
1989 Elected president.

Mr Menem was born in La Rioja, a dirt-poor, rough and tumble province in the far west of Argentina where his father was a wine merchant. His parents were immigrants from a village in what is today Syria. He is proud of his Arab heritage and his family background: "We are descended from the Phoenicians, we are traders and I am the son of a merchant. My father at first was modest, then he grew by selling cheap to sell more, by competing."

He served his political apprenticeship in La Rioja, *where his mentors* were local political strongmen, masters of patronage and manipulation. At 33, Mr Menem controlled the local Peronist party and 10 years *later* he became provincial governor with the reputation of a fire-breathing populist. His vocal opposition to the 1976-83 military regime twice landed him in an army prison.

Now, aged 56, he has shed his image as the wild man of Peronism. He has trimmed back his once exuberant sideburns and dyed his hair, which is invariably *lacquered. His* nails are carefully manicured, his teeth suspiciously perfect.

Mr Menem recognises that his political image is flawed: "Go on, say it, people think I am frivolous." If ordinary Argentines support their president's reforms, they are less than happy about his private life. Mr Menem has a weakness for fast cars, attractive women and expensive clothes.

He also has a remarkable ability to play all things to all men, to make (and suddenly break) pacts with a bewildering range of allies. He began his government backed by Bunge y Born, the Argentine grain multinational, hard-line Peronists and the *Carapintadas, right-wing army* rebels.

Since then he has defanged the Peronist party, the monolithic political movement that cast its shadow over Argentina for the entire post-war period. He broke the power of the unions, cut the influence of Bunge y Born by ejecting a minister it nominated from the government, and sent the troops in to crush the *Carapintadas* in 19 hours when they mutinied one morning in 1990. Today, Mr Menem stands virtually alone, beholden to no single group. The Peronist party is little more than an electoral machine, a vehicle for the blend of pragmatism and self interest known as Menemism.

This chameleon quality has led to accusations of demagoguery, and suggestions that he misled the electorate back in 1989 into expecting a return to full-blooded Peronism. Mr Menem himself insists: "In the campaign I made subliminal references to what I would do." But asked what "Menemism" means, he replies evasively that "it is the same thing as Peronism – a totally modernised and updated Peronism, which is a philosophy of life that is Argentine, human and Christian."

In many ways, Mr Menem is more a *caudillo*, an old-style Latin strongman, than the modern statesman he claims to have become. He *has already* announced his intention to amend the constitution to enable him to seek re-election when his term ends in 1995. He has concentrated formidable political power in his hands after eliminating nearly all constitutional checks and balances on the government; the opposition is in disarray, while judicious distribution of favours ensures him a majority in congress.

Mr Menem is used to being called a *caudillo*. "Lies, they are filthy lies. Never has Argentina had such liberty," he retorts almost mechanically. Just as mechanically, he says the battle against corruption will be "taken to the ultimate consequences".

*But the government seems* incapable of shaking off a reputation for widespread corruption. It has already faced four corruption scandals this year,

'I see no clouds on the horizon'

but has shrunk from aggressively prosecuting alleged offenders. Part of the problem lies with the president, who is gregarious and outgoing and values loyalty; on a number of occasions he has defended aides staunchly against accusations in the press, before being forced to sack them.

Mr Menem is also a temperamental, moody man. Today he is brimming with optimism and confidence. But earlier this year, he sank into a deep depression that worsened disarray in the cabinet as inflation temporarily escaped from control and yet more allegations of corruption swept over the government.

He sets great store by a mysterious discipline he calls "mental control" that enables him to sleep only four hours a day. Rather than take a nap during the siesta he says: "I often read the Bible, which I have read twice from cover to cover." Other favourites include a mix of Greek classics *and best sellers. Mr Menem frequently* rounds up his friends for a game of football or tennis, or buzzes around in his ultralight aircraft.

Another frailty in the president is his jealousy of Domingo Cavallo, who is popular and is suspected of harbouring political ambitions of his own.

The coming year will see a phase of consolidation of reforms. The government still lacks the machinery to police a modern, open economy: Menem must rapidly build an efficient, honest and reliable civil service and judiciary. Cavallo plans to restructure Argentina's entire $35bn commercial bank debt in 1992, eliminating the last big obstacle to stability.

*Industry is obsolete* and over-stretched. Few of Argentina's car, steel or consumer durables companies can survive in their present shape. Painful restructuring of entire industries is only just beginning. As adjustment gets into full swing in 1992, demands will increase that the government do more to soften the social impact of reform. The public will also hold Menem to his word that he concentrate government efforts – and spending – on education, health, social policies and the administration of justice.

Mr Menem says a challenge also faces Argentina's business *class. "Before it was very easy* to be a businessman in Argentina, with subsidies, speculation and protection. This was a country of rich businessmen and poor companies."

Now that the business elite has won the economic reforms it said it always wanted, its ability to survive in an open marketplace is open to doubt. *Mr Menem says "there is now* a social market economy. There is deregulation. Companies have all the guarantees for investment. But never again will the state rescue companies. This is a new Argentina we are building. The real revolution is in the attitude of the people."

# Mr Bush and the Churchill syndrome

In 1945, the world watched in astonishment as Britain voted Winston Churchill *out of office. How could the* Brits show such ingratitude? How could they prefer Clement Attlee, the grey Labour leader, to an heroic world statesman? The answer was very simple. The British were not ungrateful, but they wanted far-reaching social and economic reform and they recognised, correctly, that Churchill was not the man to *champion such changes*. Labour was more relevant to the post-war aspirations of the British.

President George Bush is no Winston Churchill. But there are faint parallels between the US's position today and Britain's in the 1940s. The final disintegration of the Soviet Union marks an historic triumph for American foreign policy, comparable in its way with the defeat of Nazism. Yet, as for Britain in the 1940s, the victory is marred by a painful recognition of diminished economic power. The loss of economic confidence is symbolised this week by the arrival of Mr Bush in Tokyo with an entourage of business executives begging for orders.

Allied to economic vulnerability is a growing awareness of the need for domestic reforms. Americans are not seeking radical change of the kind introduced in the UK in the 1940s. But polls suggest that people resent the growth *of inequality during* the 1980s; this is what fuels the demands for middle-income tax cuts. Americans are frustrated by *glaring failures in the social* domain. To give one example: when Pan Am, the airline, went bust, workers and their families lost health insurance as well as their jobs. This is normal. But disgruntled workers are beginning to ask why. Why is every other developed country able to spend less on health care than the US, yet provide coverage for everybody all the time?

For three years, Mr Bush has played world leader and brushed domestic problems aside. Belatedly, he is trying to change his image. The appointment of a pragmatist – Mr Samuel Skinner, the former transport secretary – as chief

**MICHAEL PROWSE** on America

of staff, *in place of the abrasive* Mr John Sununu will help. But Mr Bush's interest in domestic affairs is too recent to be credible. As pioneers of social reform, Democrats ought to gain handsomely from the shift of national attention from world to domestic affairs.

In a presidential system, however, everything depends on the quality of the candidates. None of the six Democrats now in the race – Governor Douglas Wilder of Virginia, former Governor Jerry Brown of California, former Senator Paul Tsongas from Massachusetts, Senator Tom Harkin of Iowa, Senator Bob Kerrey from Nebraska and Governor Bill Clinton of Arkansas – is a national figure.

Mr Wilder, a black, seems unlikely to go far. His main selling point is that he has curbed Virginia's budget deficit without raising taxes, but he is highly unpopular even in his home state. Mr Brown is a colourful figure, having *worked with Mother Teresa* in Calcutta and studied Buddhism. His campaign cry is that domestic reform is impossible because *politicians of all* stripes are financially beholden to powerful interest groups and the wealthy. His critique of the US political system is not without merit, but he seems too cranky to attract vigorous support.

Mr Tsongas, a Greek-American who re-entered public life after a long illness, is unfairly attacked by many pundits. He is *rightly focusing on* America's fading economic competitiveness and wants the US to become a nation of producers rather than consumers. In a televisual age, his problem is that he just does not look presidential.

Mr Harkin is a fiery pro-union Democrat *born 60 years* too late. If he were to win the nomination, he would probably guarantee a landslide victory for the Republicans. The good-looking Mr Kerrey is not without substance, having proposed a comprehensive health care reform plan. But he plays too heavily on his background as a Vietnam veteran and seems lacking in depth. In a weak field, Mr Clinton appears to be the most substantial candidate. But he has the misfortune of representing a small, undistinguished state and has no foreign policy experience. In other respects, *however*, he is well placed to challenge Mr Bush.

At 45, he can claim to understand the needs of the baby-boom generation. As a southerner and economic conservative, he cannot be branded an irresponsible "tax and spend" Democrat and *should* appeal to disgruntled Republicans. A former Rhodes scholar and Yale Law School graduate, he is intellectually sharp. In a decade as governor of Arkansas, he gained a reputation for squeezing the most out of a limited budget. He has worked hard on social reforms, including the overhaul of state education and apprenticeship training.

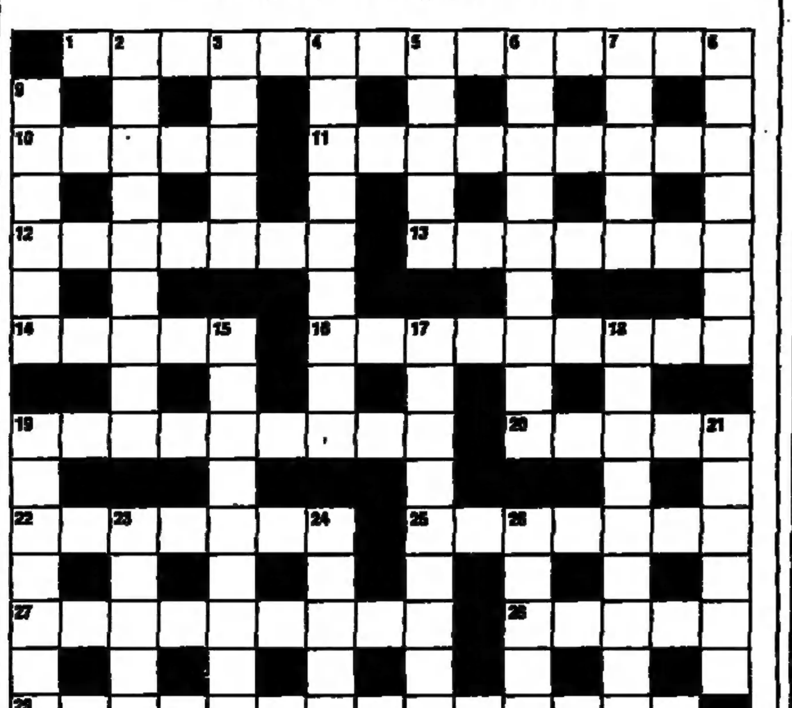
The pivotal question for the 1992 campaign is whether Mr Bush – the "foreign policy" president – is the right choice given America's changed circumstances. With the external communist threat removed, the big challenges are internal. The US has to find a way of *renewing itself economically* and socially. It has to save more, share the rewards of growth more fairly, and implement reform in spheres such as education and health care. In a decade the Republicans have shown scant capacity for leadership in any of these areas. If the electorate focuses on future problems rather than past glories, the relative inexperience of a challenger such as Mr Clinton may not prove much of a handicap. And the Churchill syndrome could claim another victim.





## CROSSWORD

No.7,734 Set by DANTE



**ACROSS**

1 Domestic trouble? (10,4)
10 Behave awkwardly when you get the bill and get put out (3,2)
11 Billy tipped as a winner by Stevenson (9)
12 Crooned a tune in return for a drink in Spain (7)
13 Beat up Miles in a scrimmage (7)
14 Mob disperses after sailor produces weapon (1,4)
16 Pauses in travels abroad (9)
19 Light of Trieste put out (3,4,2)
20 Return to surrender (5)
22 They dress in blue – not silver! (7)
25 He has to wait for his money (7)
27 In great difficulty, but the flag is still flying (2,3,4)
28 The doctor joins me in a drink (5)
29 Assign the ablest recruits for these warships (6,8)

**DOWN**

2 Thoroughly extravert? (3,3,3)
3 Excellent actor (5)
4 Produce a large stake and win a fortune (4,1,4)
5 Primate some find ribald (5)
6 Do without women (4,5)
7 Force plane to land (5)
8 Descriptive of an eternity ring? (7)
9 Una upset with sea sickness (6)
15 The new missus fit only for gaol? (9)
17 Not a single female will wear it (9)
18 A great man in history (9)
19 Give way and die (7)
21 The cad is out to break the engagement (6)
23 French physicist set to rise (5)
24 Passionless disciple (5)
26 The right birds for uncle (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 11.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 29.12.91: Pool purchase price £/MWh | Final Prices for Trading on 01.12.91: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.18 | 16.59 | 16.59 |
| 0100 | 18.54 | 16.60 | 17.95 |
| 0130 | 23.70 | 16.60 | 17.95 |
| 0200 | 23.70 | 16.60 | 17.95 |
| 0230 | 18.62 | 16.58 | 17.93 |
| 0300 | 18.62 | 16.54 | 17.89 |
| 0330 | 18.06 | 16.51 | 17.86 |
| 0400 | 17.08 | 16.44 | 16.44 |
| 0430 | 17.08 | 16.39 | 16.39 |
| 0500 | 17.02 | 16.36 | 16.36 |
| 0530 | 17.01 | 16.36 | 16.36 |
| 0600 | 16.99 | 16.38 | 16.38 |
| 0630 | 16.99 | 16.35 | 16.35 |
| 0700 | 16.99 | 16.35 | 16.35 |
| 0730 | 16.99 | 16.36 | 16.36 |
| 0800 | 16.99 | 16.38 | 16.38 |
| 0830 | 16.99 | 16.38 | 16.38 |
| 0900 | 17.04 | 16.44 | 16.44 |
| 0930 | 17.07 | 16.49 | 16.49 |
| 1000 | 18.10 | 16.52 | 17.88 |
| 1030 | 18.92 | 17.28 | 18.65 |
| 1100 | 18.28 | 17.28 | 18.64 |
| 1130 | 18.92 | 17.28 | 18.64 |
| 1200 | 19.56 | 17.28 | 18.64 |
| 1230 | 19.56 | 17.28 | 18.64 |
| 1300 | 19.56 | 17.28 | 18.64 |
| 1330 | 19.56 | 17.28 | 18.64 |
| 1400 | 18.40 | 17.28 | 18.64 |
| 1430 | 18.28 | 17.28 | 18.64 |
| 1500 | 17.08 | 16.47 | 16.47 |
| 1530 | 17.08 | 16.49 | 16.49 |
| 1600 | 17.09 | 16.59 | 16.59 |
| 1630 | 18.92 | 17.28 | 18.64 |
| 1700 | 20.60 | 20.96 | 22.47 |
| 1730 | 20.94 | 25.75 | 27.37 |
| 1800 | 20.94 | 25.75 | 27.38 |
| 1830 | 20.80 | 25.75 | 27.39 |
| 1900 | 20.60 | 21.51 | 23.01 |
| 1930 | 20.80 | 21.51 | 22.99 |
| 2000 | 20.60 | 20.96 | 22.43 |
| 2030 | 19.09 | 17.42 | 18.79 |
| 2100 | 19.09 | 17.28 | 18.63 |
| 2130 | 18.40 | 17.28 | 18.65 |
| 2200 | 18.28 | 17.28 | 18.63 |
| 2230 | 17.09 | 17.07 | 18.43 |
| 2300 | 17.08 | 16.49 | 16.49 |
| 2330 | 17.08 | 16.44 | 16.44 |
| 2400 | 17.03 | 16.44 | 16.44 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the Pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

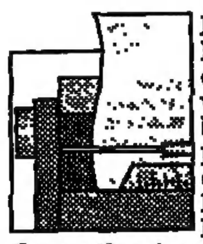
| 1/2 hour period ending | Provisional Price for Trading on 30.12.91: Pool purchase price £/MWh | Final Prices for Trading on 02.12.91: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.12 | 16.58 | 16.58 |
| 0100 | 18.92 | 17.07 | 19.11 |
| 0130 | 18.08 | 17.07 | 19.11 |
| 0200 | 18.92 | 17.07 | 19.11 |
| 0230 | 18.28 | 17.07 | 19.11 |
| 0300 | 18.28 | 17.07 | 19.11 |
| 0330 | 18.28 | 16.54 | 16.54 |
| 0400 | 17.07 | 16.49 | 16.49 |
| 0430 | 17.04 | 16.44 | 16.44 |
| 0500 | 17.02 | 16.44 | 16.44 |
| 0530 | 17.02 | 16.42 | 16.42 |
| 0600 | 17.01 | 16.42 | 16.42 |
| 0630 | 17.06 | 16.54 | 16.54 |
| 0700 | 17.08 | 16.65 | 16.65 |
| 0730 | 17.08 | 17.53 | 19.58 |
| 0800 | 17.08 | 19.57 | 21.69 |
| 0830 | 17.13 | 21.00 | 23.17 |
| 0900 | 19.10 | 21.03 | 23.19 |
| 0930 | 19.11 | 22.30 | 24.61 |
| 1000 | 19.25 | 26.44 | 26.79 |
| 1030 | 19.28 | 26.46 | 28.81 |
| 1100 | 20.69 | 27.08 | 29.44 |
| 1130 | 20.69 | 27.05 | 29.42 |
| 1200 | 20.69 | 21.53 | 23.50 |
| 1230 | 20.69 | 21.32 | 23.48 |
| 1300 | 20.69 | 21.01 | 23.15 |
| 1330 | 20.84 | 21.94 | 24.09 |
| 1400 | 20.04 | 21.94 | 24.09 |
| 1430 | 20.04 | 17.58 | 17.58 |
| 1500 | 17.17 | 17.58 | 17.58 |
| 1530 | 17.14 | 17.46 | 17.46 |
| 1600 | 20.04 | 36.76 | 40.60 |
| 1630 | 20.27 | 83.10 | 96.88 |
| 1700 | 21.53 | 121.30 | 138.97 |
| 1730 | 21.55 | 123.26 | 139.54 |
| 1800 | 21.55 | 84.81 | 95.45 |
| 1830 | 21.53 | 45.30 | 49.52 |
| 1900 | 21.48 | 29.06 | 31.56 |
| 1930 | 21.48 | 27.23 | 29.62 |
| 2000 | 21.47 | 23.61 | 25.70 |
| 2030 | 20.69 | 21.00 | 23.11 |
| 2100 | 20.69 | 21.00 | 23.12 |
| 2130 | 20.04 | 19.57 | 21.68 |
| 2200 | 17.14 | 18.77 | 20.64 |
| 2230 | 17.10 | 16.82 | 16.82 |
| 2300 | 17.08 | 16.57 | 16.57 |
| 2330 | 17.08 | 16.44 | 16.44 |
| 2400 | 17.13 | 16.46 | 16.46 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the Pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

# Sound money – a Dutch treat

**By Walter Eltis**



In 1695 sterling was in crisis. There was a large balance of payments deficit to finance King William III's armies on the continent, and Britain's silver coinage was being chipped away by clippers who gained silver by making the coins smaller. Prices rose sharply and the silver coinage fell so much in value that the gold guinea rose from the customary 21 to 30 silver shillings. William Lowndes, secretary to the Treasury, proposed to reduce the amount of silver the pound sterling represented by 20 per cent. Future 5 shilling silver coins would contain 20 per cent less silver, so the silver in the newly minted coins would come down towards the value of the smaller clipped coins in circulation.

Sir John Somers, Lord Keeper of the Seal, strongly opposed this inflationary Treasury proposal, and the Council, the Cabinet of those days, of which Somers was a prominent member, decided to seek independent economic advice.

When governments look for *this today they generally turn* to university economists, but in 1695 there was no academic economics. The Council instead invited John Locke, Britain's leading philosopher, Isaac Newton, the leading natural scientist, Christopher Wren, the leading architect, and five others to submit memoranda. Newton accepted the Treasury's argument that there should be a reduction in the amount of silver in the coins that made up a pound sterling to match the inflation that had already occurred, because otherwise it would be too difficult for British producers to compete internationally.

Most of the other submissions, including Wren's, were brief, but Locke responded with a distinguished and detailed pamphlet, Further Considerations Concerning Raising the Value of Money which he published in 1696. He attacked the Treasury's proposal because it would destroy the integrity of contracts and be the first step on a slippery slope which might in time reduce the silver content of the 5 shilling piece to one pennyworth. The Council advised the Sovereign, and William III, the Dutch prince who had become king of England, decided to take Locke's advice. It was proposed that the official silver content of the pound should remain unchanged and that the currency should be renewed with heavy silver coins with milled edges which no one could chip away. The lighter coins then largely current would cease to be legal tender and have to be exchanged on the basis of their silver weight into the new ones. Those who thought they had a pound sterling with four light 5 shilling crowns might only get back two new heavy official ones worth just 10 shillings.

In 1696, as today, decisions concerning the future of the *British currency had to be* approved by both houses of parliament. In January parliament insisted that some of those who would lose because their light silver coins would no longer be legal tender should be compensated. The House of Commons decided to allow silver coins, however light, to be accepted at their full face value in payments made to government until May 4. Everyone therefore sought to make the silver coins which the Exchequer had to accept as small as possible. Coins were first hammered thin and the outside silver was then cut away and what was left was rushed to the Treasury to meet the deadline. The thin hammered coins, just before the clippers got at them, were described as "broad money", a term with an entirely different meaning today.

The hyperactivity to exploit the Treasury's open back-door by clipping, melting, re-coining and re-clipping is vividly described by Locke: "Methinks the silver does wisely not to come into England at this time where it is like to run a perpetual circle of torment if it stay here. Into the fire it goes at the Exchequer and is noe sooner out but it is committd to the mint there to goe into the furnace again to be brought to Standard and then to size and then be pressed in the mill. As soon as it get free out of the mint it is either lockd up in some Jaylors chest from comeing abroad or if it peeps out tis ten to one but the thriveing company of Coiners and clippers put it again into the fire to be joynd with bad company and then to be hammerd and cut and so conveyd to the Exchequer to run the same Gantlet again."

The avalanche of light and "narrow" money to the Exchequer represented a large loss to government and the creation of the new coinage was also *expensive. The establishment* of the Bank of England in 1694 inserted a little paper into the equation but there was a severe economic depression as prices were forced downwards in line with the new heavy coinage. When the sound money policy went on to produce depressed business conditions, William III is said to have regretted that he had taken Locke's dry advice.

The two main economic advisers were not left unrewarded. On March 19 1696, Newton was appointed Warden of the Mint; on May 15, Locke was appointed a member of the Board of Trade at a salary of £1,000 a year.

While Locke was dry on monetary policy he ran a proactive industrial policy, protecting the British woollen industry from Irish competition but seeking nonetheless to give Ireland something by subsidising the start-up of an Irish linen industry. A proposal for legislation to take vagabonds off the streets and set them to work (with three years' enlistment in the Navy if they declined all other employment) rounded off a policy mix that is quite familiar today.

Newton, as Master of the Mint, played a part in the gradual switch of the money used in most transactions from silver to gold. In 1711 he fixed the value of the pound at £3 17s 9d to an ounce of gold and it remained at that value with two wartime departures (which elicited a vast new economic literature with protagonists of the stature of John Maynard Keynes and David Ricardo and the repetition of most of Locke's and Newton's arguments) until Britain finally left the gold standard in 1931.

A price index that Sir Henry Phelps Brown has constructed, based on six commodities, rose by just 29 per cent in the 220 years from 1711 to 1931, so the average inflation rate in these *two centuries on the gold standard* averaged just 0.1 per cent a year. West Germany, the most successful European Community economy at controlling inflation, has achieved an average annual inflation rate of 3.3 per cent in the last decade and in 220 years that would have raised prices more than 125,000 per cent against the 29 per cent increase under Newton's gold standard. The Dutch king who re-established the integrity of sterling in 1696 therefore set in train a series of monetary developments which served Britain well for two centuries.

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## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10.5 | Credit Lyonnais | 10.5 | McDonnell Douglas Bnk | 10.5 |
| Allied Trust Bank | 10.5 | Cyprus Popular Bk | 10.5 | Midland Bank | 10.5 |
| AIB Bank | 10.5 | Duncan Bank PLC | 10.5 | Mount Banking | 10.5 |
| ● Henry Ansbacher | 10.5 | Duncan Lawrie | 10.5 | NatWestminster | 10.5 |
| B & C Merchant Bank | 10.5 | Equatorial Bank plc | 10.5 | Northern Bank Ltd | 10.5 |
| Bank of Baroda | 10.5 | Exeter Bank Limited | 11 | Nykredit Mortgage Bank | 11 |
| Banco Bilbao Vizcaya | 10.5 | Financial & Gen. Bank | 11 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10.5 | First National Bank Plc | 14 | Roxburghe Bank Ltd | 11.5 |
| Bank of Ireland | 10.5 | ● Robert Fleming & Co | 10.5 | Royal Bk of Scotland | 10.5 |
| Bank of India | 10.5 | Robert Fraser & Ptrs | 11 | ● Smith & Williamson Secs | 10.5 |
| Bank of Scotland | 10.5 | Girobank | 10.5 | Standard Chartered | 10.5 |
| Banque Belge Ltd | 10.5 | ● Guinness Mahon | 10.5 | TSB | 10.5 |
| Barclays Bank | 10.5 | ● Hambros Bank | 10.5 | Unibank plc | 10.5 |
| Benchmark Bank | 11 | Hampshire Trust Plc | 13.5 | ● United Bk of Kuwait | 10.5 |
| Brit Bk of Mid East | 10.5 | Heritable & Gen Inv Bnk | 10.5 | Unity Trust Bank Plc | 10.5 |
| ● Brown Shipley | 10.5 | ● Hill Samuel | 10.5 | Western Trust | 10.5 |
| CL Bank Nederland | 10.5 | C. Hoare & Co | 10.5 | Westpac Bank Corp | 10.5 |
| Citibank NA | 10.5 | Hongkong & Shanghai | 10.5 | Whiteaway Laidlaw | 10.5 |
| City Merchants Bank | 10.5 | Julian Hodge Bank | 10.5 | Yorkshire Bank | 10.5 |
| Clydesdale Bank | 10.5 | ● Leopold Joseph & Sons | 10.5 | | |
| Co-operative Bank | 10.5 | Lloyds Bank | 10.5 | | |
| Coutts & Co | 10.5 | Meghraj Bank Ltd | 10.5 | | |

● Members of British Merchant Banking & Securities Houses Association.